



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

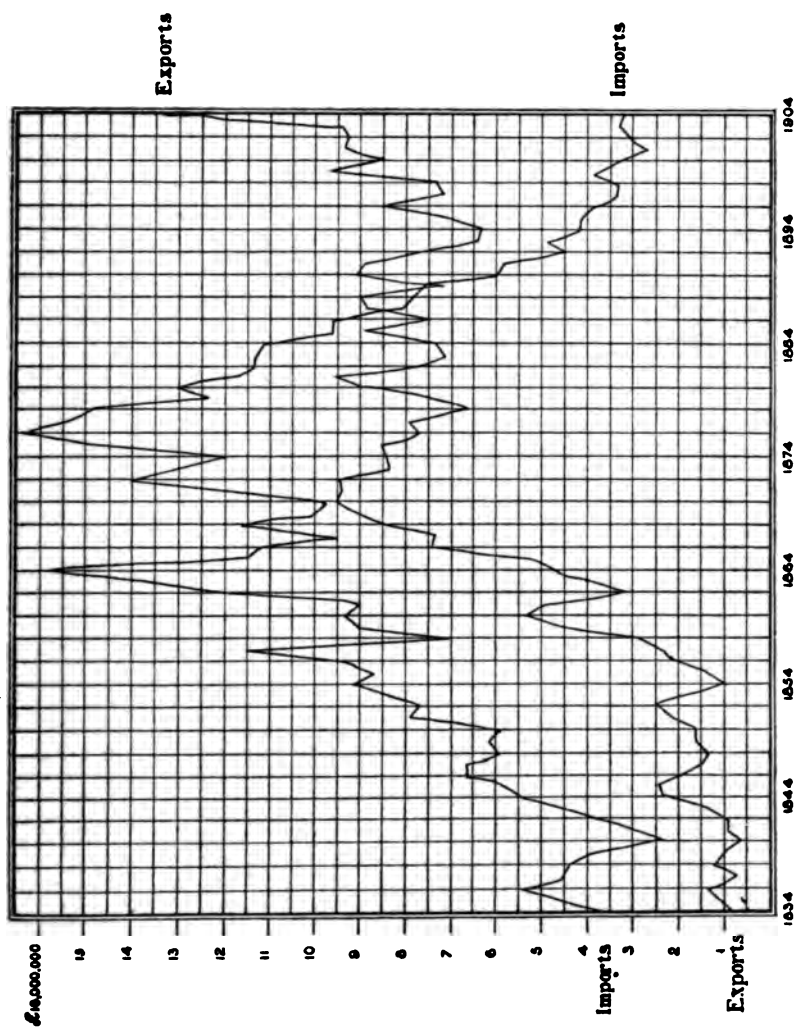


52.51
245



LELAND STANFORD JUNIOR UNIVERSITY





A. Imports (gross) into the United Kingdom from China and Hongkong :
and exports of British produce, 1834-1904.

ANGLO-CHINESE COMMERCE AND DIPLOMACY

(MAINLY IN THE NINETEENTH
CENTURY)

BY

A. J. SARGENT (M.A. Oxon.)

APPOINTED TEACHER OF FOREIGN TRADE IN THE UNIVERSITY OF LONDON
AT THE LONDON SCHOOL OF ECONOMICS

OXFORD

AT THE CLARENDON PRESS

1907

2 11

HENRY FROWDE, M.A.
PUBLISHER TO THE UNIVERSITY OF OXFORD
LONDON, EDINBURGH
NEW YORK AND TORONTO

Y8A3011
X0911.080842 09A.11
Y1283V8U

130412

PREFACE

THIS book received its earliest impulse from a few lectures delivered some years ago in Manchester; it has been put together gradually, in the intervals allowed by teaching work in London. It is an attempt to view our relations with China solely in their bearing on the interests of commerce. The details of political changes and military operations are neglected, since commerce is concerned only with the broad results; while the social and religious life of the Chinese can safely be left in the hands of the lifelong resident in China or the casual tourist with journalistic bent.

The original historical introduction, as not infrequently happens, has expanded into a volume, and the ultimate aim of the history—the analysis and explanation of the commercial conditions of the present—is necessarily postponed. British relations with China are no longer the controlling factor in the economic development of the Far East. The method of treatment which can be applied usefully to the greater part of the nineteenth century is inadequate to deal with the problems to which the new forces are giving shape. The conclusions of to-day may be upset to-morrow; it is hardly possible to estimate the trend of a revolution in being with the mental detachment of the historian, still less to make the attempt in the concluding chapters of a historical volume. It will suffice if the present work provides a basis for those who would analyse the present, but have not the time or inclination to extend their investigations into the past.

A. J. S.

58-86

87-176

CONTENTS

CHAPTER I

	PAGES
INTRODUCTORY. THE RULE OF THE COMPANY	1-48

Letter of Elizabeth to the Emperor of China—Early efforts to open up trade relations with Dutch and Portuguese—Policy of Chinese local officials—The settlement at Canton and the privileges of the Company—The Hong merchants—The question of criminal jurisdiction—Economic policy of the Company in relation to British manufactures: the woollen trade—The Embassy of Lord Macartney—The Dutch Embassy—The Company and Chinese officials—The Company and the British Government: the Charter—American competition—Organization of trade at Canton a century ago—Change in the attitude of the Government of China—Further troubles as to jurisdiction—Embassy of Lord Amherst—Attack on the monopoly of the Company: Parliamentary Inquiries—Further disputes with Chinese: the crisis at Canton: policy of the Directors—Voyage of the ship *Amherst*—Parliamentary Inquiries and abolition of the monopoly of the Company—The situation in 1834: opium and other matters in dispute.

CHAPTER II

THE COURSE OF TRADE TO 1834	49-57
---------------------------------------	-------

Bullion and merchandise—China as a market in the eighteenth century: value and nature of British goods exported—The import trade and profits—Growth of exports to China from 1793 to 1834—The trade in woollens—Tea: quantities imported: revenue duties—The private and privilege trade—Trade between India and China: opium and raw cotton—Analysis of the Canton trade at the close of the period—Position of the United States—Shipping—The Company's 'factory' at Canton—The character and limits of the China market.

CHAPTER III

FROM THE OPENING OF THE TRADE TO THE TREATY OF NANKING	58-86
--	-------

Instructions to Lord Napier and the British Commissioners—Chinese officials and the new arrangements—Failure of Napier:

policy of Home Government—Difficulties of Captain Elliot: jurisdiction over British subjects: relations with the Viceroy at Canton—The opium trade: two parties in China: warnings by the Peking authorities: attitude of the British Government: Elliott on the opium trade—Commissioner Lin at Canton: the surrender of the opium: further measures of coercion by Lin—Demands of British merchants and criticism of Chinese policy: the case for the British Government—Sidelights on the opium question—The war and the Treaty of Nanking: terms of the treaty—Jurisdiction of the Legislative Council of Hongkong.

CHAPTER IV

FROM THE TREATY OF NANKING TO THE TREATY OF TIENTSIN

87-125

Opium after the war: effect on British commercial interests: the Shaftesbury memorial—The Chinese and the execution of the treaty—Local outrages and local coercion—The refusal to open Canton—The difficulty of reaching the Central Government—The case of the lorcha 'Arrow': British ultimatum: attitude of the Viceroy: war at Canton—Policy and conduct of foreign mercantile community since the Treaty of Nanking—The question of control over foreigners: the missionaries—The mission of Lord Elgin: instructions of the Home Government—The Treaty of Tientsin: analysis of the treaty: political and commercial clauses: the question of a resident ambassador at Peking—The anti-foreign party in the ascendant—The ratification of the treaty and the repulse of Mr. Bruce at the Taku forts—The expedition of the allied forces and the Convention of Peking (1860).

CHAPTER V

COURSE OF TRADE FROM 1834 TO 1864 126-142

The beginning of the open trade—Analysis of Canton trade at the time of the Treaty of Nanking—The rush of British exports after the treaty—The Committee of 1847—The purchasing power of China—The world's consumption of tea—British textiles in relation to the needs of China—Effects of the tariff and internal taxation—The position of opium—The rebellion in relation to trade—Exports of tea and silk—The American Civil War and the cotton trade—Value of different items in the trade and reasons for fluctuations—Distribution of foreign trade of China in 1864—Foreign-owned shipping.

CONTENTS

ix

CHAPTER VI

PAGES

THE INTERPRETATION OF THE TREATY OF TIENTSIN AND THE CONVENTION OF 1869	143-176
--	---------

The policy of local pressure as a rival to diplomatic negotiation—Weakness of the Peking control—The opening of the Yangtse and the claims of British merchants—The question of transit dues—New customs system and the question of smuggling—Proposed revision of the tariff: attitude of foreign merchants—The merchant as interpreter of treaties—The right of inland residence—The provincial authorities and inland duties: Likin and terminal taxes—Negotiations for the revision of the treaty: demands of the Chinese—Analysis of Alcock's Convention: demands and criticisms by the foreign mercantile community: failure of the compromise.

CHAPTER VII

FROM THE MASSACRE AT TIENTSIN TO THE CHIFU CONVEN- TION	177-197
--	---------

The Massacre at Tientsin and its causes: the question of the missionaries: attitude of the Chinese Government—The formal reception of the foreign representatives by the Emperor: the Moderate Party at Peking: Prince Kung and the execution of the treaties—Hart's Memorandum—The Burma expedition and the murder of Margary—Terms of the agreement at Chifu—Opium and Likin, the final settlement of 1886.

CHAPTER VIII

COURSE OF TRADE FROM 1865 TO 1884	198-225
---	---------

The Taiping rebellion—Growth of China's foreign trade—British trade: the general fluctuation of the period—Effects of telegraph and Suez Canal on business methods—Famine and flood and the fall in silver—Increase of native control of business—The separate trades: cottons, the sizing question: America versus Lancashire: imports of yarn from Bombay—Woollens—Opium: the growth of native product and the beginning of the decline in Indian import—Tea: effect of opening of Yangtse: the Suez Canal and the London tea market: competition of Indian tea: increased export to Russia—Silk in relation to the European crop: hand reeling versus machinery: decline of the British silk trade—Growth of foreign shipping: Chinese owners and vessels of foreign type: monopoly on the Yangtse—Beginning of the ocean shipping combine: effects on trade: share of

national flags in shipping in China trade—Measurement of result of treaties on value of trade—Change in character of commodities exported—The economic self-sufficiency of China.

CHAPTER IX

DEVELOPMENT OF THE POLICY OF 'SPHERES OF INFLUENCE' 226-247

The question of the Burmese route to China: The Bhamo route and the mission—Activity of France in Tongking: effect on British policy—Chinese Convention with France in the Tongking region: Counter-moves by England: British-Chinese Conventions—The question of railways in Yunnan: the railway policy of France—Russia and Germany and the policy of 'Spheres of Influence'—The Treaty of Shimonoseki and its results—Failure of the 'concert' of the Powers—The policy of the open door: Anglo-German Agreement of 1900—The question of railway concessions since 1895—Finances of China: foreign indebtedness and effects on trade—Chinese policy as to railway and mining concessions.

CHAPTER X

COURSE OF TRADE FROM 1885 TO 1894 248-286

Imports and exports, 1885-1904—Gold and silver values—Value of British trade—Changes in commodities exported from China—Progress of British shipping—Causes of general fluctuations of trade—The fall in silver in relation to prices of commodities in China—Special trades, cottons: yarns and piece-goods compared: growth of imports from India to China: beginnings of machinery in China: wages in cotton mills: effect of rise in Lancashire prices in 1893-4—Indian Currency reform and the China trade—Entrance of Japan into the market—Opium, the decline in the Indian trade and its causes—The British merchant and the German—The miscellaneous import trade—Revolution in the methods of conducting import business—The tea trade: India versus China: displacement of England by Russia: analysis of conditions of tea trade: the overland trade to Russia: the tea trade in the economy of China—Silk, decay of Anglo-Chinese silk trade: Chinese attitude to scientific culture: fall in exchange in relation to prices of silk in London—Shipping and freights: progress of the 'Conference'—River and coast trade: growth of Germany and Japan.

CONTENTS

xi

CHAPTER XI

	PAGES
RENEWAL OF THE ANTI-FOREIGN MOVEMENT AND RECENT ECONOMIC CHANGES	287-309
Internal taxation in defiance of the treaties: differential duties on shipping—Anti-foreign attitude of the people: attacks on missionaries—The reform party at court: triumph of reaction: the Boxer outbreak—Result of Peking expedition: nature of penalty exacted from China: effect on trade—Analysis of the latest treaty: possible results—Recent economic changes as throwing light on the question—General growth of trade—Cotton in the economy of China—Old and new commodities—Tea—Silk—Minerals—Foreign debts of China in relation to trade and purchasing power—Economic effect of railways—Persistence of Chinese character and policy.	
ANNOTATED BIBLIOGRAPHY OF THE MORE IMPORTANT OFFICIAL PAPERS AND NOTE ON THE CHARACTER OF THE STATISTICAL INFORMATION AVAILABLE FOR THE CHINESE TRADE .	310-316
INDEX	317-327

LIST OF DIAGRAMS

	PAGE
A. Imports (gross) into the United Kingdom from China and Hongkong: and exports of British produce, 1834-1904	<i>Frontispiece</i>
B. Declared value of exports of all British produce and of British cottons and woollens to China (including Hongkong after 1844), 1834-1864 (Chap. V)	329
C. Quantities of tea and raw silk imported into the United Kingdom from China, 1834-1864 (Chap. V)	329
D. Declared value of exports of all British produce, and of British cottons and woollens to China, 1864-1884 (Chap. VIII)	330
E. Quantities of tea and raw silk imported into United Kingdom from China, and quantity of tea imported from India (including Ceylon), 1864-1884 (Chap. VIII)	331
F. Declared value of exports of all British produce and of British cottons and woollens to China, 1884-1904 (Chap. X)	331
G. Quantities of tea and raw silk imported into the United Kingdom from China, and quantity of tea imported from India (including Ceylon), 1884-1904 (Chap. X)	332

ERRATA

Page 130, line 18 }
 „ 139, line 1 } *for 132 read 329*
 „ 256, line 29, *for weighing read weighting*

CHAPTER I

INTRODUCTORY: THE RULE OF THE COMPANY

‘WE yielding unto the most reasonable requests of these honest men, because we do suppose that by this most just intercourse of traffic, no inconvenience nor loss, but rather most exceeding benefit will redound unto the Princes and subjects of both kingdoms, while by the carrying forth of those commodities wherewith we abound, and the bringing home of others which we want, we may on either side at most easy rates help and enrich one another; do crave of your most sovereign Majesty, that these our subjects, when they shall come for traffic’s sake unto any the stations, ports, places, towns or cities of your Empire, they may have full and free liberty of egress and regress, and of dealing in trade of merchandise with your subjects, and may by your Highness’ clemency most firmly enjoy all such freedoms, immunities, and privileges, as are usually granted to the subjects of other Princes which exercise traffic in your dominions; and we on the other side will not only perform all the offices of a well-willing Prince unto your Highness, but also for the greater increase of mutual love and commerce between us and our subjects, by these present letters of ours do most willingly grant unto all and every your subjects (if it shall seem good unto your Highness) full and entire liberty unto any of the parts of our dominions to resort, there to abide and traffic and thence to return.’

So runs, in Hakluyt's translation, the vital clause in the letter of Queen Elizabeth, committed to the hands of her faithful subjects Richard Allen and Thomas Bromfield, which marks the dawn of our commercial and diplomatic relations with the great Empire of the East. The language of the original document¹ suggests conditions far removed from the present; the sentiments expressed would not be entirely out of place in a diplomatic communication to Peking in the twentieth century. The Latin of the old diplomacy has vanished; English is the language of the most important commercial publications in China; but he would be rash who asserted that the principles of free and equal intercourse between the peoples of the East and West had been established, even after three centuries of effort, on a firm and lasting basis.

The letter was not fated to reach its destination: the bearers met an unknown end on their long journey through hostile seas. But the project of opening up a trade with China became an integral part of the policy of the newly-formed East India Company.

The schemes for a north-east or north-west passage, or a land route *viâ* Russian or Turkish territory, were soon abandoned, and India became the half-way house and, to some extent, the base of our commercial intercourse with the Far East.

In 1614 we hear of negotiations, through agents in Japan, for a direct trade to China. Again it was pro-

¹ Letter of Queen Elizabeth to the Emperor of China, July 16, 1596. A rough draft is in the Record Office: S. P. Colonial, East Indies, vol. i. no. 11. Hakluyt's version needs slight corrections.

posed, in accordance with European practice, to communicate directly with the Chinese Government : but no native of China would venture to transmit letters addressed by James to the Emperor. A more serious obstacle was the conduct of the Dutch. It was asserted that they carried the English flag in their marauding expeditions against Chinese junks ; and even were it otherwise, the officials in China did not draw nice distinctions between one barbarian and another. It was perhaps a recognition of the impossibility of carrying on trade by the ordinary methods which led to the strange alliance in 1619 between the English and Dutch Companies arranged after much diplomatic negotiation on the part of their Governments. A common Council of Defence was formed : a position in the Philippines, or some other convenient islands off the coast of China, was to be occupied, and the Chinese junks were to be forced to trade with the allies alone.¹ But the Dutch, after fortifying the Pescadores, with the aid of the allied fleets, appropriated the trade to themselves, regardless of the protests of the agents of the English Company at Batavia.

Undeterred by the failure of his first attempt, the English merchant sought another way of access to the unknown wealth of the markets of China. For more than a century the Portuguese had been established at Macao, though their power had decayed, and they

¹ 'Touching the question where and in what place ships of defence shall be first employed, . . . the defence shall be employed for the gaining of the trade to China. And to that end the fleet shall be sent to the Philippines, there to hinder and divert the Chinese that they shall not traffic with any others but with us.' Article 10, additional.

were now hard pressed by the Dutch. In 1635 the Viceroy at Goa invited the Company to send a ship to Macao for freight, apparently with the idea that the goods would be safer under the English than under the Portuguese flag. The Company seized the opportunity; but when, two years later, the experiment was repeated and four ships under Captain Weddell arrived with a letter from King Charles to the Portuguese Captain-General, it became evident that the Portuguese had no intention of permitting any infringement of their monopoly. They asserted that they had been heavily fined by the Chinese, owing to the presence of the English ship two years before; but the real object of their refusal to trade was made clear when the English attempted to establish relations with Canton. The local officials seemed favourably disposed until the Portuguese intervened. While Weddell waited for his licence, his professing friends were engaged in intrigue. In the end the Chinese fired on the English, who retaliated by capturing the forts and plundering Chinese vessels and towns. These somewhat drastic measures were effective. The supercargoes were received at Canton, a patent for free trade was granted, and permission given to fortify a post outside the river. But the Portuguese well understood the art of managing the Chinese official. The English supercargoes were imprisoned, and only released on threatening to fire the city; while, in spite of nominal concessions, their object was frustrated.

During the next fifty years further attempts were made to establish a trade at Macao, invariably with the same result. The Portuguese resorted to excuses, intrigue, and even force; at the same time the decay of Macao and the internal troubles of the country contri-

buted to render useless this gateway to the vast territories and unfathomed resources of the far eastern Empire. Disappointed at Macao, the Company turned to Amoy as a possible centre for trade. In 1675, Amoy was taken by the independent ruler of Tywan, on Formosa, and free trade was promised to the foreign merchants. But the need of money led to the imposition of customs duties, while all business was kept in the hands of the King and chief officials. Nor was the situation improved by the Tatar conquest. The officials demanded presents, and more presents: the fact that the raising of their demands coincided with the arrival of a Dutch ship is not without significance in the light of subsequent events. It was impossible to dispose of cargo to advantage, though the trade struggled on for a short time oppressed by heavy dues and arbitrary exactions. In 1734 another attempt was made to establish a permanent factory as a check to the exactions of the Canton officials. Again the question of Emperor's duties and tonnage dues became critical. When the English threatened to leave, liberty to trade was granted; but as this liberty was confined to intercourse with two native merchants, the scheme was abandoned. A subsequent visit had a similar result. Voyages were also made at various times to Chusan, Ningpo, and Limpo, with a view to avoiding the burdens and difficulties at Canton; but though the local officials made fair promises, they soon proved that they desired trade merely for their personal advantage. Finally, in the middle of the eighteenth century, the Central Government intervened. An Imperial edict prohibited trade with ports other than Canton, thus confining Europeans to the most distant outpost of China

proper, cut off by a barrier of mountains from the wealthy regions of the Yangtse and by an inland journey of months from the far northern plains and the Manchu capital.

The limitation of trade to Canton merely gave official sanction to a state of affairs already established by other causes; the history of the relations of the East India Company with China is for all practical purposes the history of the factory at Canton. As early as 1680 they received an invitation from the Viceroy, with the usual promises; but they were naturally suspicious in view of the recent unfortunate experiences of the Dutch in a similar case elsewhere. So no serious effort was made until 1712. In that year the supercargoes of two ships demanded and obtained liberty to trade with whom they pleased, the choice of their own linguists and servants, exemption from new impositions, and the sole right of punishing their own people for disorder. In spite of promises, the Hoppo—the Imperial Officer controlling trade at Canton—recommended two merchants; and with these, in the end, they were forced to deal. In fact, the chief difficulty in the eighteenth century was found in the maintenance of these nominal privileges, in the face of steady official pressure. In 1720 another attempt was made to confine all foreign trade to a body of Chinese merchants sanctioned by the officials; the attempt was frustrated for the moment by the refusal of the Company to trade at all, only to be renewed a few years later. Extra duties were imposed from time to time, and the sole weapon of the Company, the threat to cease trading, was rendered ineffective by the competition of the French and Dutch. The position of the Chinese officials was

strong. ¹¹ They argued that the foreigner must have great need of the trade, since he came in pursuit of it from the uttermost parts of the world. They insisted that they alone had the right to lay down the conditions of intercourse, and that it was merely as a favour that the presence of the barbarian was permitted at all in the Celestial Empire. Petitions to the Emperor were of no avail: the Imperial Court did not concern itself with such trivial matters: they were the business of local officials.¹ The only means of bringing pressure to bear on the latter was to curtail their revenue by the stoppage of trade; but unity in action on the part of Europeans was lacking, and the Chinese were quick to take advantage of commercial jealousy and competition. It was inevitable that they should carry their point. The Hong, a monopolistic association of Chinese merchants under official sanction, became an integral part of the commercial system at Canton.

The intercourse of Chinese and foreigners had another aspect which became of supreme importance towards the close of the eighteenth century. The foreigner had no recognized position in civil or criminal matters, the international usages of the West being entirely unknown in the Far East. It speaks well for the general probity of the Chinese merchant that steady and satisfactory trade was possible in the absence of means for compelling him to fulfil his contracts. It was not in this direction that serious trouble first arose. The question of criminal jurisdic-

¹ In 1737 the new Emperor, Kienlung, removed a 10 % duty imposed a few years earlier, apparently through misrepresentations on the part of the local officials; but such direct interference by the central authority was the exception.

tion again and again threatened to upset commercial relations. Friction between foreign sailors and native Chinese was inevitable; the consequences were not seldom deplorable. Early in the century the agents of the Company were beaten, and the factory surrounded by soldiers, owing to the accidental killing of a servant of the Hoppo. As a rule such incidents could be settled by money compensation, of which part went to the relatives of the injured, but more to the officials. Later in the century it became more difficult to arrange a compromise, while, with the increase in the number of foreigners resorting to Canton, affrays and accidents tended to become more frequent. In 1780 a French seaman on a 'country' ship¹ was strangled by the Chinese for the murder of a Portuguese sailor. This was noted at the time as a dangerous precedent. A few years later the gunner of a private ship, in firing a salute, accidentally wounded some Chinese. Trade was stopped and the supercargo of the ship seized and detained until the surrender of the unlucky gunner. The Chinese invariably refused to recognize the possibility of a criminal escaping from justice; they insisted on a victim of some kind, and failed to grasp the western distinction between murder and accidental homicide, at any rate where foreigners were concerned. They were, moreover, inclined to hold the Company responsible for the acts of those over whom it had no legal control. In the words of the Directors: 'Repeated experience shows the utter impossibility of avoiding the inconveniences to which we are constantly subject from the imprudence and wilful misconduct of private traders.'

¹ A ship trading under licence from the Company between India and Canton.

Thus, already in the eighteenth century, we have a foretaste of the two main questions which were destined to be fought out in the nineteenth—the legal control over foreigners and the conditions under which commercial intercourse was to be allowed. It would perhaps be an exaggeration to ascribe to the Chinese officials, at this period, a definite foreign policy; but there are signs, towards the end of the century, in the wording of edicts, in the refusal to allow natives to teach foreigners the Chinese language, and in the steady enforcement of restrictions, of that anti-foreign feeling which became more clearly marked in the early years of the nineteenth century.

The records of the Company give some interesting glimpses of the policy of the Directors and the commercial relations of England and China. The trade in tea, in later years the mainstay of the Company as a political and commercial body, gave little promise, in the seventeenth century, of its future importance. In 1676, the agents at Bantam were directed to invest a hundred dollars annually, by way of encouraging the trade! The Directors, in accord with the ideas of the age, and with an eye to hostile criticism, were far more concerned with the possibilities of China as a market for English manufactures. This policy found its earliest expression in the attempts to discover a northern route to the East. Not only would such a route avoid the opposition of inconvenient rivals, but the colder regions of the north of China might naturally be expected to provide a vent for woollen goods. These expectations were not destined to be realized; but the most strenuous critic of the Company must admit that every effort was made to open up a market for our staple product. Thus, in the seventeenth century, the agents at Bantam

were ordered to send goods to Tywan, in spite of requests to the contrary, on the ground of the urgent necessity for disposing of our woollens. The goods were even to be sold without any profit whatever. The instructions to supercargoes and agents afford many such illustrations of the policy of the Directors. In 1699 they write: 'We have been greatly encouraged to this northern settlement (Limpo) from the hopes we entertain of opening a way into the Japan trade, and of finding a considerable vent for our woollen manufactures.' Again in 1710: 'It will be a national advantage if large quantities of English, or any other European commodities, would vend in China; and would be a very good and popular argument in our favour.' The need of an answer to the critics is already apparent, and becomes more pressing as the century advances and the attacks on the monopoly of the Company increase in severity. These sentiments are repeated year after year in various forms, and finally become stereotyped in the standing orders printed for the benefit of supercargoes at Canton. They are to make it their main business to inquire as to the possible extension of the market for English manufactures, and more particularly woollens. Towards the close of the century we find vigorous and not unsuccessful attempts to push copper and tin, even without a profit, as an alternative to the export of bullion.

None the less the woollen trade was a failure, as the Chinese declined to adopt English ideas on the subject of clothing. So, in 1803, the Directors complain that the loss is becoming serious, though 'we continue to entertain the same sentiments that we have so repeatedly expressed of our desire to advance the consump-

tion of British manufactures, in preference to seeking for profit'. Absence of profit, however, and definite loss are far from being the same. A change of policy was necessary in face of the growing pressure on the financial resources of the Company, due to the demands of the Indian dominions. The limit of their endurance came in 1805. 'The woollen trade means a loss of 14 per cent., and it is not, as you say, a question "whether we shall sacrifice a small advantage to the liberal policy of extending the national manufactures", but whether we shall uphold them on the anti-commercial principle of a great annual sacrifice of the Company's property. In future we shall send only as much as you can sell without actual loss.' Doubtless this change of policy would have occurred earlier but for the necessity of adopting a popular policy as a partial answer to the periodical attacks of the critics in Parliament at each renewal of the Charter of the Company.

The whole question of the character and organization of the trade in all its details, and the policy of the Company, was threshed out in various Parliamentary inquiries in the first thirty years of the nineteenth century. But the attitude of the Chinese is of the last importance to a due understanding of the position of affairs: light is thrown on this by the embassies of 1793-4, which may, for convenience, be considered as the closing events of the earlier period.

The English embassy was that of Lord Macartney, in 1793, undertaken on behalf of the East India Company; but it had also a national aspect, and high hopes were entertained as to its consequences. The Directors announced to the Viceroy at Canton that the King wished the English at Canton to congratulate the Emperor on attaining his eightieth year, and was also

desirous of improving the relations and intercourse of the two nations, and of cultivating the friendship of the Emperor. In the private instructions to Macartney, it was pointed out that though the English were more numerous than other foreigners at Canton, they had hitherto had no official communication with the Chinese Government, and that it was the duty of the Sovereign to take up the matter and defend the interests of his subjects. Here is the beginning of a trouble which required a century for its settlement. It was thought that the local rather than the Imperial officials were responsible for the vexatious restrictions on intercourse with foreigners ; and subsequent diplomatic history is largely concerned with attempts to establish direct relations with, and wring concessions from, the Central Government. The English, arguing from western constitutions, made a very natural miscalculation as to the relations of Imperial and local authorities in China, and so laid the foundation of much future trouble. Moreover, the official letter to the Emperor, laying stress on the power of England and her colonies, was hardly calculated to satisfy Chinese ideas as to the respect due from the foreign ' barbarian ' to the ' Son of Heaven '.

The Canton officials did not regard the proposed embassy with favour : it seemed to them to be an attack on their privileges as sole controllers of foreign trade. So Macartney sailed direct to the Peiho, in order to avoid delay and complications. The members of the embassy had the strictest orders to avoid anything approaching commercial transactions, and the Company, somewhat to the astonishment of the practical Chinese, even abstained from carrying merchandise in the ship. The embassy was intended to be purely official and complimentary. At Tientsin the troubles

began. The Chinese seem to have become suspicious of the attitude of the Company towards the Nipalese, who were giving them trouble at the time ; but the main difficulty arose from a matter of ceremony. The officials insisted on the performance of the 'kotow' or prostration before the Imperial throne, in accordance with the invariable practice of embassies from the vassal states of China. In spite of steady pressure, emphasized by threats, Macartney refused. In the end the Emperor gave way, and the envoys were received with marks of considerable favour ; none the less, after the usual interchange of presents, the Court showed great eagerness for his departure, and Macartney had to content himself with somewhat vague promises of improved conditions at Canton. The embassy retired with dignity, at any rate, having protested successfully against the official Chinese view that it was the bearer of tribute from an inferior Power ; since Chinese theory refused to admit that a foreign Prince could, in any circumstances whatever, correspond on terms of equality with the 'Son of Heaven'.

Dignity was hardly the characteristic of the mission of the Dutch Company which arrived shortly afterwards. In this case the business was worked by the Canton officials. They insisted that the sole object must be congratulations ; even the letter to the Emperor was examined by them and re-cast to suit official ideas ! On the journey by land from Canton the members of the mission suffered greatly from the neglect of the local authorities responsible for their reception, and the treatment became worse as they approached Peking. They were forced to perform the 'kotow' before everything which in any way represented the Emperor : they were closely watched and prevented

from communication with natives in the capital ; finally they were received in company with the envoys from Korea and treated in similar fashion at the audience. In short, the Chinese theory as to the subject character of the mission was insisted on throughout. Van Braun, the second member and historian of the embassy, makes a remark which is amply justified by subsequent events: ' A kind of miracle must be accomplished before the idea of sending a Chinese as an envoy to other nations can enter into a Chinese head.' The accomplishment came only by means of a repeated and unpleasant acquaintance with European weapons of war. The envoys were taken to see the sights, apparently with a view to impressing them duly with the power and magnificence of China; they were told again and again that their conduct was more acceptable to the Court than that of the English had been. If this were so, the methods of the officials were unwise: the English, who resisted, were treated with a certain amount of courtesy and distinction; the Dutch, who yielded, had a most unpleasant experience. The contrasted fates of the two embassies might justly be cited in support of the view, even then advocated by some individuals, that the Chinese would yield to coercion what they refused to diplomatic negotiation.

It is worthy of note, in conclusion, that the Russians in the eighteenth century had experienced a similar difficulty in their relations with Peking, and, like the English, had carried their point. But there was a difference in circumstances. Russia was a political and territorial Power with which China was bound to reckon on her borders; the other European nations were merely represented by a body of traders, and,

as such, regarded with scant respect by Chinese officialdom.

The early commercial relations of China with foreigners thus throw some light on the problems to be solved and the attitude of the contending parties. The nineteenth century saw the real beginnings of the fight which is hardly yet brought to a conclusion. The parties to the argument are, the Chinese Imperial Government, the Canton officials, the East India Company, and the private trader, British and foreign ; at the back of these stand the British Parliament and Crown, which intervene with results both remarkable and unexpected. From the commercial point of view, everything hinges on the actual organization of foreign trade at Canton.

In dealing with foreigners, Chinese administrators concerned themselves only with two points: the revenue to be collected and the orderly behaviour of the traders. Their mode of procedure was well known to mediaeval Europe and at the same time in keeping with the contempt of the official classes for all savouring of trade. A body of merchants, commonly styled the Hong, and numbering from two to eleven, was constituted the intermediary in all things between the Chinese official and the foreigner. To the Hong was granted the monopoly of dealing in certain staples—in fact of the most valuable part of the trade at Canton ; while, in return for this privilege, their duties were considerable. They were responsible to the Government for the good behaviour of foreigners, and for the customs duties on the whole trade, including that of outside or unprivileged merchants ; so that, directly or indirectly, they were concerned in the whole foreign intercourse. The Cohong was

moreover responsible to a limited extent for the liabilities of its members. This small body of merchants, with privileges strictly defined, and with duties which the officials never allowed them to forget, stood for China in so far as the commerce of the Company was concerned. It is true that trade in some minor articles was carried on by shopmen, or small retail dealers, often under cover of the names of the weaker Hong merchants; but such indiscriminate trading was generally looked upon with suspicion, and shopmen who broke the letter of the law, with the connivance of officials, were in a somewhat precarious position, as being convenient scapegoats in periods of strong anti-foreign feeling.

The responsibility of the Hong merchants was more than nominal; no foreign ship was suffered to trade until one of their body had become security for the good behaviour of the crew. Yet the position was not without its difficulties: they enjoyed responsibility without authority, and were liable to bear the brunt of official wrath for the wrongdoings of the very foreigner who refused compliance with their advice and entreaties. In spite of anomalies, the system was essential in the official view. It was necessary to restrain the energetic foreigner, by prohibiting, as far as possible, all intercourse with natives, except such as could be carried on under the official eye. The monopoly system was eminently calculated to attain this end; and we naturally find, as the feeling against foreign intercourse grows, that attempts are made to enforce the legal monopoly in its strictest form. There was always a weapon ready for the coercion of the recalcitrant foreigner. As a general rule, trade was conducted without much regard for the strict letter of

the law ; so that the foreigner could be crushed with facility by the simple method of enforcing existing regulations. A reference to an edict, a century old, or more, would be quite sufficient, in Chinese eyes, to destroy any liberty which could only plead prescription as its justification. The functions of the Hong were thus diplomatic or political as well as commercial. In the former capacity they acted as a convenient barrier between the degraded barbarian and official pride ; in the latter they were useful as a fairly safe and regular means of filling official coffers.

On the other side we have as the chief figure the East India Company, also an organized and privileged body, and, as such, regarded very differently by the Chinese from the individual trader of whatever nation. The Company was fortunate in obtaining privileges both from China and from Great Britain. It is necessary to bear in mind this twofold advantage, if we would appreciate clearly the trend of events.

Throughout the various vicissitudes of its fortunes, and in spite of the modifications introduced at successive renewals of its charter, the East India Company maintained its monopoly of the China trade intact. At Canton, it had a permanent organization, headed by a Select Committee of supercargoes, exercising administrative as well as commercial functions.¹ By way of making the monopoly more secure, the entire tea trade, within the limits of its Charter, from the Cape of Good Hope to the Straits of Magellan, was rigidly reserved. In the home market also it was

¹ The Committee had wide powers of arrest and seizure both of persons and ships contravening the Acts of Parliament under which they enjoyed their privileges. 26 Geo. III. cap. 57 ; 33 Geo. III. cap. 52 ; 53 Geo. III. cap. 155.

supreme ; though its methods of procedure in the matter of sales of tea and the limits of prices were carefully defined by law. Tea must be sold by auction at least four times a year, and to the highest bidder, provided that a penny a pound more than the put up price was offered ; and it was not lawful for the Company 'to put up their tea for sale at any price which shall, upon the whole of the tea so put up at any one sale, exceed the prime cost thereof with the freight and charges of importation, together with the lawful interest from the time of the arrival of the tea in Great Britain, and the common premium of insurance as a compensation for the sea risk incurred thereon'.¹ But the Company did not engage in every province of trade at Canton : it permitted certain modifications of the severity of the terms of the Charter. Officials of the Company were allowed to carry on a limited trade on their own behalf, and readily took advantage of the permission. Moreover, trade between India and China was carried on by British subjects and natives of India, under licence of the Administration ; but the mere fact of a licence being necessary gave the Directors wide powers of control, and they exercised a very real and effective authority over the 'country trade' as it was styled. Occasionally, they granted licences to British ships to engage in the fur trade between the coast of America and Canton, but the conditions were so onerous that they amounted almost to prohibition. There remained the direct trade between China and Europe and the United States.

The old European exclusive Companies had disappeared by natural process of decay, or through the

¹ 24 Geo. III. cap. 38.

political troubles which devastated Europe from the time of the French Revolution ; and though individual ships still visited China, they can be neglected. At the beginning of the nineteenth century, the Americans alone could claim to be considered as rivals of the great English Company. They had profited by their position as neutrals during the European wars and had greatly extended their general carrying trade with the colonies and the Far East. In addition to that of America, they engrossed the greater part of the trade to continental Europe ; though British and continental goods, in considerable quantities, found their way overland, through Russia to Kiakhta, where they were bartered for tea. The fact that such trade could be carried on profitably, in spite of the difficulty and cost of land-transport, was naturally used as an argument by the advocates of greater facilities for trade by sea. The East India Company apparently considered that the European trade was not contemplated in its Charter, and perhaps was not of sufficient promise to warrant any special effort for its prosecution. So we find the anomaly that foreigners profited by a business which the Company itself declined to undertake though other British subjects were excluded by the terms of the Charters. The Americans even shipped cargoes from England itself with impunity, though the Company was necessarily acquainted with this open infraction of its privileges. This fact provided the strongest argument in support of the case of the private British merchant against the monopoly of the Company, which was the object of much Parliamentary inquiry during the first thirty years of the century.

The Company had the evident advantage of stability and responsible organization in dealing with the Hong

and Chinese officials. The continuity of its operations inevitably appealed strongly to the Chinese character. It was the only representative foreign body and, as such, was compelled by its traditions to champion the cause of foreigners in general. Thus a complete picture of the foreign commercial relations of China can be drawn from the experience of the Company in its relations with the Chinese and the British Government. On the one hand light is thrown on the growth and restrictions of the privileges of foreigners and the attitude of Chinese officials; on the other, we get a complete account of the working of the Company and its American rivals, with exhaustive information as to the general character of the China market, particularly in relation to the question of monopoly or free trade.

The commercial position of the Company, at the end of the eighteenth century, had been evolved gradually in a series of trials of strength with the Hong and the officials. Monopoly was met by monopoly; and, on the whole, as its profits showed, the English Company had no great reason to be dissatisfied with the result. It fixed prices by negotiation, from year to year, and invariably had the pick of the market; while, in the absence of effective competition, it was enabled to some extent to force English goods on the unwilling Chinese merchant. It had obtained, by custom, the privilege of communicating with officials in the Chinese language, and its letters passed through the hands of the Hong with the seals unbroken; though official replies were invariably addressed to the Hong, which was responsible for bringing them to the notice of foreigners generally. Moreover, the factory employed its own native servants and linguists, and

was, as a rule, free from official intrusion. None the less the Hong maintained rigidly its control over the customs system, so much so that as late as 1830 the agents of the Company could only make a rough estimate, from private information, of the character and amount of the import duties to which their goods were subject. But these privileges of the Company had no formal and definite basis ; they rested on its commercial influence and long-established trade, aided by the acquaintance of its agents with Chinese methods and ideas and the Chinese language. Anything which might alter the attitude of the Hong or the officials would be likely to affect seriously the prosperity and stability of the Company's commercial relations. We find such disturbing causes in the early years of the nineteenth century. The attitude of officials changes for the worse ; the number of foreigners independent of the Company increases rapidly, and internal changes in the Hong itself precipitate a crisis.

In 1811-12 five of the Hong merchants were practically insolvent, owing, it was said, to speculative dealings with American traders. They were liable to be declared bankrupt and to suffer severe punishment at the hands of the Chinese Government, while their debts would have been settled gradually by the Hong as a whole, and the funds for the purpose would have been raised from impositions on foreign trade. The Company was naturally averse to such procedure and proposed as an alternative that the merchants should be allowed to continue business under a trust, controlled by their chief creditor, the Company, until all debts had been discharged. The proposal was resisted by the wealthier members of the Hong, their object being to concentrate in their own hands the entire

control of business at Canton. They failed at the moment, but forthwith attempted to execute the same scheme by direct official intervention. They prevailed on the Viceroy to issue an edict vesting the privileges of the Hong in two (or three) of that body. This would have constituted them, acting with the officials, absolute arbiters of prices, as the element of competition, represented by the larger number of the Hong, would have been eliminated. The proposed change was not merely the work of local officials. An Imperial edict from Peking ordered the regulations to be rigidly observed, and placed the control of the Hong in the hands of its two senior members, with the addition of a warning against competition. The Company resisted this and other attacks on the interests of foreigners by the drastic method of a complete stoppage of trade. The matter dropped for fifteen years; but the position of the Company was seriously affected by the complaints of the 'country' traders involved in the stoppage, who maintained that the Select Committee was exceeding its powers. In fact the anomalies of the situation were becoming evident to all concerned.

The action of the Hong and officials was not isolated: it was undoubtedly inspired by a general policy of hostility to foreigners. This hostility took the form of personal objections to members of the Select Committee, domiciliary visits to the factory, denial of the right of the Company to employ Chinese servants or to use the Chinese language in official intercourse, in addition to numerous petty annoyances. These afford cumulative evidence of an organized plan to abolish the privileges hitherto enjoyed by the foreign trader. Various reasons may be assigned

for this changing attitude on the part of the Chinese. The number of foreigners resorting annually to Canton had greatly increased; disturbances were frequent; smuggling was rife, and the local officials were held responsible by the Imperial Government for anything occurring within the area of their jurisdiction. That Government itself, too, looked with considerable suspicion on the advance of the English in India, and was even more concerned at the frequent visits of British warships to the coast of China. So we find various measures, all pointing in the same direction. In 1817, the transport of tea coastwise, from the province of Fokien to Canton, was forbidden by Imperial edict, in spite of the evident advantage of sea- as opposed to land-carriage. Tea, for the future, must be carried as of old, by the rivers and over the mountains, as carriage by sea gave opportunity for smuggling prohibited articles. The real explanation lay in the geographical isolation of Canton from the rest of China. Viceroy, as well as merchants, were threatened with punishment if the edict were disobeyed. One phrase is significant, as throwing light on the ideas prevalent at Peking. 'Smuggling is a trifling affair, but having communication with foreigners is a thing which involves vast interests. It is indispensably necessary to strain every nerve to eradicate the first risings of baseness or mischief.' The Viceroy at Canton goes further. He considers that tea has been brought to Canton in such large quantities as to cause competition among native dealers. He threatens to instruct officers at the mountain barriers to examine all passes, and 'whatever teas exceed the fixed quantity, send it all back, and not allow it to come to Canton'. Here perhaps

we catch a glimpse of another move on the part of the Hong syndicate, which was on good terms with the Viceroy at this moment: a restricted supply would favour a corner in tea such as was actually engineered a year or two later. Another edict is evidence of this friendly co-operation. The shopmen had ventured to deal in silk as well as smaller articles with officers of the Company's ships and the 'country' traders. This infringement of the Hong monopoly, in a staple article, was promptly checked by an edict closing all the shops concerned.

The natural and inevitable difficulties of commercial intercourse at Canton were increased by circumstances over which the Company had little or no control. The ideas of international law, long established in Europe, were entirely unknown to the Chinese. In their view the barbarians were admitted to trade at Canton purely on sufferance; they had no established rights and no recognized representatives, and they must submit entirely to the jurisdiction of the native official. In commercial relations, on the admission of many hostile witnesses, the evil was not greatly felt, owing to the general probity of the Chinese; in fact it was commonly stated that business was transacted more easily at Canton than at the majority of European ports. It was otherwise when questions of criminal jurisdiction arose. In case of injury to a native, the authorities were bound to find a victim, with little regard for western ideas as to evidence or extenuating circumstances. According to Chinese theory, it was impossible for a criminal to escape the hand of justice; he must be produced and punished, otherwise the credit of the local officials with the Central Government would inevitably suffer. A long

series of cases illustrates the difficulties of the question and the manner in which it affected the East India Company. In 1810 an embargo was laid on the Company's ships owing to the death of a Chinese. The ships sailed without leave, but the matter was raised again, with considerable annoyance to the Company, in the following year. It was suggested that the British Government should investigate, but in this and similar cases legal difficulties intervened; the British Crown could have no jurisdiction in China, and the law of England would not even permit the accused to be tried. The Select Committee, on their part, pointed out that the surrender of any individual by them would be equivalent to 'provisional sentence of death', and that the mere holding of an investigation would be regarded by the Chinese as an admission that some person was guilty and ought to be surrendered. It is unnecessary to enumerate a long list of instances, but a case in 1820 well illustrates the methods of Chinese officialdom in dealing with such matters. A native was killed in an affray, and the Company made the usual offer of monetary compensation to the family; but the Viceroy ordered the Committee to investigate and deliver up the offender, on pain of the total stoppage of trade. The culprit, much to the relief of the Committee, could not be found. There chanced, however, to be at the moment a case of suicide on another ship. The Chinese were allowed to make a judicial investigation, and induced to believe, by evidence fabricated by the seamen, that the dead man was the murderer for whom they were searching. The Committee confess that they facilitated the inquiry in this shape, but in spite of the temptation, 'would not affirm in

writing a statement not founded on the truth.' To such shifts were the representatives of the Company reduced through the illogical character of the position in which they were placed. They had no legal jurisdiction, yet were held liable by the Chinese authorities for the misdeeds of any British subjects, and even for those of foreigners. Minor cases might be settled by money compensation, and the Committee frequently complain that time is thus occupied which ought to be devoted to the duties proper to their position. More serious cases involved the stoppage of trade, threats of violence on the part of the Canton officials, and consequent indignation of the Directors in England. The absurdity of the situation became more striking when the trouble arose from the action of the Royal Navy. In 1822 some Chinese were killed in an affray with seamen from H.M.S. *Topaze*, so the Viceroy insisted on the responsibility of the Committee, and stopped the trade. He refused to negotiate directly with Captain Richardson, but trade was resumed after repeated assurances that the matter would be dealt with in England. In the following season the surrender of the murderers was demanded, on the assumption that time had been given for a reference to the British authorities; while an Imperial edict enforced the view of the Viceroy as to the responsibility of the Committee.

The embassy of Lord Amherst in 1816 represents the final attempt of the Company to improve our relations with China by invoking the aid of the State. In view of the troubles of 1814-15, they had approached the British Government with the request for the dispatch of an envoy of high rank to Peking. They believed that the central authority was kept in igno-

rance of the true state of affairs at Canton, and they hoped, by direct representations, at the least to put their intercourse on a securer and more definite basis. The embassy was to adopt methods of 'conciliation and compliment'; it was to avoid carefully anything in the nature of a demand or threat. At Tientsin, once again, the trouble began. At a banquet given by order of the Emperor, Amherst refused absolutely to perform the 'kotow' before the table, though he was prepared to bow as before the throne in the British Parliament. The result was an angry Imperial edict, insisting on the performance of the prostration as the condition of reception by the Emperor, nor was the compromise suggested—that the ceremony should be performed on condition of the issue of an edict declaring that any Chinese ambassador to England should do likewise—acceptable to the official pride of China. It would imply the admission of the equality of the British Sovereign with the 'Son of Heaven'. Amherst was inclined to concede the point, in the Imperial presence itself, but was dissuaded by those better acquainted with Chinese ideas and the interpretation which would certainly be put upon such action. The Court even went so far as to maintain that Lord Macartney had performed the 'kotow'! The termination of the embassy was dramatic. A hurried journey over the last stage to Peking was followed by an order to appear at once before the Emperor. Amherst refused this command on the ground of its informality and the fatigue of himself and retinue, and the embassy was escorted from the capital as rapidly as it had come. The total result was the exchange of a few presents. The Chinese Court seems to have been somewhat uneasy

as to the consequences of this treatment, and in various edicts the blame for the misunderstanding was laid on officials who had not informed the Emperor of the real situation. But it is noteworthy that the same edicts asserted that the embassy came 'offering tribute'.¹ The reception of a few presents was represented as an act of gracious condescension on the part of the Emperor, owing to the contrition expressed by the British ambassador. The Emperor Kienlung had issued an edict inviting the King of England to send another mission at his pleasure; his successor was of a different temper, or was more under the influence of the anti-foreign party, as the reception of the embassy proved. So ended the final attempt at peaceful negotiations with the Imperial Government; it was destined soon to make the acquaintance of embassies of a very different type.

In view of the growing hostility of the Chinese and the commercial and political difficulties illustrated above, it is clear that the position of the Company at Canton was becoming critical in the early part of the nineteenth century. At the same time the attacks in England on its commercial monopoly were more and more insistent. A brief view of the situation in 1820 is given in the report of the Parliamentary Committee on Foreign Trade in 1821.

The opponents of the Company asserted that it would suffer no injury in permitting British traders to engage in those branches of trade in which it was

¹ On this point Kienlung, officially at any rate, agreed with his successor. 'Even those nations who visit this country by navigating their ships across the ocean have bowed down before our throne, and brought presents for our acceptance.' Testamentary edict of Kienlung, 1799.

not immediately concerned, notably the trade between China and continental Europe. In the course of twelve years, the American carrying trade had nearly doubled, and goods were carried even from British ports; while British goods also found their way overland *viâ* Russia, in spite of the heavy cost of carriage. The natural conclusion was that the British trader ought to have a share, and that trade would expand in China as it had done in India, since the removal of restrictions. The Directors relied mainly on two contentions, the one political, the other commercial. They asserted that the British seaman was less orderly than the American, and that the opening of Canton to private trade would therefore lead to a great increase in friction with the Chinese authorities; on the other hand, competition would raise the price of teas, by giving the Hong an unfair advantage in negotiation. They made light of American progress as an argument for the admission of the British trader, though letters from their own representatives fail to bear out their assertions. Thus a letter, in 1820, from the supercargoes, expresses great alarm at American competition in the cloth trade. It points out that they can undersell the Company, and deplores the 'death blow which it inflicts upon the monopoly hitherto enjoyed by the Company'. The Americans also took a different view of the matter. A report to the House of Representatives, in 1819, values the total exports in American vessels to China and the East Indies at about 12,000,000 dollars; the imports into Europe at more than this, and into the United States at about 5,000,000 dollars. 'If this be so, the consumption of East Indian (and China) articles, by the United States, is paid for by the mere profit of the trade.'

The Committees, both of Lords and Commons, agreed that to interfere with the illegal export of British goods by Americans would only damage our industries by sending them elsewhere for their goods ; but they ' adduce the permitted existence of this trade as an illustration of the justness of their opinion that the time is come when the State, as well as the British merchant, may fairly ask the Company either to protect their monopoly against illegal encroachment, or to relax it in favour of their fellow-subjects, regularly trading.' The Committees disclaimed all idea of interfering with the monopoly of tea, and through it with the prosperity of the Indian administration ; indeed they recognized that, at the moment, such interference was not legally possible ; but they appealed to the liberality and patriotism of the Directors to make all possible concessions to private traders consistent with the essential interests of the Company. The appeal was in vain ; the Directors, secure in their legal monopoly, refused to give way, and the question was necessarily deferred until the next revision of the Charter. Before this date arrived, a crisis had been reached in China. A series of events, between 1828 and 1833, brought into strong relief the evils and anomalies of the commercial system at Canton, and rendered imperative some decided action on the part of the British Government.

The slightness of some of the matters in dispute is almost ludicrous, until they are examined in the light of the general policy of Chinese officials and as incidents in a broader movement which had the most unfortunate results. The trouble originated in a few stones and a fence ; it was aggravated by sedan chairs and the question of the presence of European ladies at Canton.

The quay of the factory was in need of repair, and was also liable to the encroachments of irresponsible Chinese loungers. The Select Committee, relying on the assurances of the Hong merchants, proceeded to execute the necessary repairs and to erect a fence ; but the Chinese officials, after a time, seem to have changed their minds and forbade the completion of the work. The Committee protested and continued their operations with the aid of seamen drafted from the fleet at Whampoa. This was naturally regarded as a slight to the dignity of the local officials, if not as a violation of Chinese territory. They ordered, in true Gilbertian fashion, the restoration of the original conditions. A large hole, which had been filled up, was to be excavated again, and the foreigners were warned of the unpleasant consequences of disobedience to official instructions. Doubtless a little diplomacy would have smoothed over matters, but the Committee adopted a somewhat unfortunate attitude, and other trifles did not tend to make the official disposition more yielding. Edicts were issued against the foreign sailors and the Hong were ordered to undo their work.

The presence of foreign women at Canton had never been tolerated by Chinese custom. It had always been a recognized principle that while the merchants came for the season to the factory their wives should remain at Macao. The President of the Committee attempted to set this custom at defiance, and, as was natural in the strained relations at the moment, the officials demanded the prompt removal of the foreign woman.¹ They threatened force if the edict were not

¹ The Directors agreed with the Chinese officials. 'We cannot approve of the support which you gave to a continued disobedience

obeyed and claimed that Mr. Baynes by his contumacy had rendered himself liable to the operation of Chinese law. The Committee, in reply, repudiated the claim to interfere with the servants of the Company and threatened to repel force with force. The sedan chair incident was of a similar character. Here the foreign merchants could plead undoubted custom in their favour, but the use of chairs by any but native officials was, strictly speaking, illegal; so a small quarrel on this matter further strained relations between the Committee and the Canton officials. In the end, the Chinese occupied the factory to execute the edict, while, incidentally, the unfortunate members of the Hong, and the linguists, experienced some severe treatment, as being in theory responsible for the bad behaviour of the foreigners.

There was undoubtedly, on the part of the Chinese, a distinct intention to restrict as far as possible the existing privileges of foreigners, and these sentiments were shared by and to a great extent prompted by the Imperial Court at Peking. This policy was stereotyped in the form of a new set of regulations, published in 1831, for the governing of trade at Canton. By these, foreigners were forbidden to linger at Canton when their business was ended; females and sedan chairs were prohibited; no weapons were to be brought to Canton; rules as to searching of vessels were to be more rigidly enforced; foreigners were not to go to the gates of the city with petitions, unless the Hong first refused to carry them. An attempt was

of the laws prohibiting the residence of females at Canton, although repeatedly urged to obey them both by the Hong merchants and by the edicts of the Viceroy.' Letters to supercargoes, Jan. 13, 1832.

also made to restrict relations with outside merchants and to prevent the Company financing Hong merchants to its advantage. The tone of the edict was distinctly anti-foreign, though the actions of the Committee were responsible for many of its clauses. From the commercial point of view, the position of the Hong merchants was the one really serious matter. The trouble of 1815 was again pressing in 1830. Many of the merchants were bankrupt; there was no effective competition among the members of the Hong, and a monopoly had been established, backed by the governing classes. The Committee attempted to communicate with Peking, on the plea that the local officials were not executing the Imperial orders for the reform of the system, and threatened in addition to stop the trade. The Viceroy, while refusing to forward their protests to the capital, showed a disposition to meet them by the establishment of new Hong's and the removal of minor abuses, but he naturally insisted that no vital change could be made in the general regulations without the direct sanction of the Emperor. The demands of the Committee involved the whole question of the privileges of the Hong, the incidence of port dues and customs duties, and the right of the foreigners to own warehouses and carry on the trade in their own way. The Viceroy was disposed to make concessions; but on certain points he was firm. The possession of warehouses by foreigners 'does not accord with former regulations, and it is apprehended connexions would be formed with traitorous Chinese'. In the same way he insisted on the maintenance of the compradore and the security merchant, while promising to put down their illegal exactions. ✓

The whole dispute illustrates the difficulties due to the absence of any real basis for the position of the Company in its commercial operations. The matter might have been arranged, since the trade had existed for a century under similar conditions, but undoubtedly, for various reasons, the attitude of the Chinese towards the foreigner was growing more and more suspicious, while the claims of the latter, as represented by the Committee, were being pressed with greater insistence. The language used by the Committee in their remonstrances to the Viceroy was scarcely of a conciliatory type. They asserted that continuous prescription did not justify wrong, that their forbearance had its limits, and that the foreigner had a right to expect justice and to be treated on a footing of equality with the native. 'We are subjects of a King as powerful as the Emperor of China,—of a King who has vast fleets and armies at his disposal—of a King who loves peace and wishes to be, as heretofore, in amity with the august Emperor of China, but who, nevertheless, would not see his subjects wronged without seeking to gain redress.' Truly this style seems somewhat peculiar if we recollect that the writers were a mere body of merchants, trading by permission for their own profit, and of the slightest material importance to China as a whole. It is hardly matter for surprise that the Viceroy replied curtly: 'As to commerce, let the said nation do as it pleases. As to regulations, those that the Celestial Empire fixes must be obeyed; there is no use in vain multiplication of discussion and disputation.'

The criticism of the Directors was equally to the point. They were of opinion that the Committee had troubled the Viceroy unnecessarily by identifying

themselves with the general complaints of the foreign community, and that, in view of the conciliatory attitude of the Viceroy, the stoppage of trade was a measure far too drastic. The threatened appeal to Peking was at variance with the settled policy of the Company, while the tone of address to the Viceroy was in diametrical opposition to instructions from home. To mark their strong disapproval, the Directors removed the leading members of the Select Committee from office. (May, 1830.) But the change of personnel had no effect on the policy of the Committee. The continuance of the trouble connected with the factory provided them with further opportunity for strong language and energetic policy. Not content with remonstrances addressed to Chinese officials, they thought fit to issue a public manifesto to the British community, giving an account of events and justifying their threat to suspend trade. In this document the grievances set forth were the seizure, imprisonment, and death of a Hong merchant, his crime being 'traitorous connexion' with the English; the recent forcible entry into the factory, with the seizure of the senior merchants and linguists, who were threatened with death; the destruction of the quay, and the restrictive regulations to be enforced under threat of expulsion from the country. They proposed to communicate with the Supreme Government in India and the British Government, with a view to redress. The manifesto was followed by a remarkable notice, in which they stated that British trade with China was impossible under the circumstances and referred to themselves as 'representatives of the British nation in China'. In their letter to the Indian Government they maintained that the Chinese were making a

systematic attempt to reduce foreigners to the lowest condition ; they pointed to the utter failure of all embassies to China, and suggested a letter from the English Sovereign direct to Peking, and the advisability of acquiring some independent insular settlement, with a view to security of trade. They asserted that the history of China showed 'acts of undue violence meeting respectful treatment in return from the Government, while persons living in obedience to its laws were suffering from severe and unmerited oppression'. This being the view of the Committee, a peaceful and stable settlement of commerce was scarcely to be expected. Their language to officials was of similar tenor. They assumed that the Emperor was ignorant of the action of his local representatives, and suggested that their proceedings, which risked 'the harmony which at present subsists between two great kingdoms, by driving foreigners to extremities by oppression', if known to the Emperor would bring down condign punishment. Such language was hardly calculated to induce a Chinese Viceroy to yield a ready ear to diplomatic representations.

✓ As though to fill up the cup of the troubles of the Committee, the close of 1830 found them involved in a serious judicial dispute with the Chinese authorities. It was one of the usual cases of homicide. The commander of a Dutch ship had been killed in a brawl by three Parsees, who were under the protection of the Company. The Chinese considered it their business to investigate the matter,¹ but the Committee refused

¹ 'On examination it appears that foreigners, when in this country they commit crimes, it is right that they should implicitly obey the orders of the Government of the Celestial Empire, and

to surrender the accused, though they admitted that a British jury would probably bring in a verdict of manslaughter. They themselves had no power to initiate judicial proceedings; but they thought that 'no difference of opinion can exist as to the extreme impolicy of allowing the Chinese Government to interfere where their own countrymen are not concerned'. So the accused were spirited away to Bombay, with the object of checkmating the Viceroy. There was, doubtless, no slight justification for this policy in past experience; but it is hardly surprising that the Chinese officials did not see eye to eye with the Committee.

Their suspicions were not allayed by a remarkable exploring expedition undertaken at the beginning of 1832. This was the voyage of the ship *Amherst* along the coast and as far as Korea. The main object was exploration, but attempts were made to trade, and a pamphlet entitled 'A brief account of the English character' was distributed at the ports visited. The words of Captain Lindsay are the best comment on the policy inspiring the expedition. 'The experience I acquired here (Amoy) rendered it apparent to me that by a too scrupulous acquiescence with what the local authorities chose to term the invariable laws of the Celestial Empire, the object of the present voyage, which is principally for the acquisition of information, would in all probability be entirely thwarted.' The officials, as might be surmised, were await for examination and management.' The Viceroy then refers to the case of 1780 as a precedent, but he shows a desire to compromise the dispute. He proposes that the Committee should keep the accused in the factory and try them by English law. In the event of their acquittal, the Committee must show grounds to him; if found guilty, they may be executed in the factory, but in the presence of Chinese officials.

greatly alarmed and strongly opposed any attempt at intercourse with the natives. They feared that the ship was the forerunner of a fleet, and their fears were not without justification in the tone adopted by their unwelcome visitors. Captain Lindsay, though merely a merchant, considered it incumbent on him to uphold the dignity of Britain by insisting on sedan chairs and by a general defiance of local regulations and customs.¹ His ideas as to commercial possibilities are summed up in his comments on Fuchau. 'I therefore believe that even in opposition to the expressed permission of and authority of the Chinese Government, a sort of forced trade, both in opium and all descriptions of British manufactures, similar in many respects to the trade which was carried on between England and the Spanish colonies before their independence, may be established and maintained at Fuchau-fu, and that in a short time it would be connived at, and form a source of revenue to the local government on the same footing as the trade at Lintin.'

The Chinese officials and the Court at Peking naturally failed to appreciate this method of promoting commercial intercourse, and the whole incident tended not a little to reinforce the feeling against the foreigner, already sufficiently embittered.

The comments of the Directors on the whole series of disputes are instructive as illustrating the difference of opinion between the men on the spot and the responsible authorities at home—a difference which

¹ 'It is worthy of remark that from the moment we put their authority at defiance, the demeanour of many of the mandarins who appeared before indifferent became friendly, and even Whang's tone of contempt and insult changed to that of persuasion and argument.'

has striking results when the British Government takes the place of the Directors. They pointed out that the violent action of the Chinese in the matter of the quay was a natural corollary of the setting at defiance of their express commands by the Committee. The new regulations were mainly a re-statement of those already existing; and though some were highly inconvenient, they could have been modified by careful diplomacy. They strongly disapproved of the 'forward' policy which the new Committee were still pursuing. The Chinese had the right to make what regulations they pleased, and China, it must be remembered, 'has rejected every effort made by us, as well as by almost every other European state, to form a commercial intercourse with her upon those principles which govern commercial relations with other countries.' The Committee were certainly not the 'representatives of the British nation', and the claim was clearly inconsistent with their denial of any authority over the ships of the Royal Navy. Another letter sums up their views and policy. 'Whatever may be the position which Great Britain holds in the scale of European nations, or however extensive her empire in the East, we have no pretensions, beyond the subjects of other nations, to dictate to the Chinese Government the principles upon which alone they are to carry on her trade with foreigners.'

The attitude of the Directors was strictly correct and conservative; but unfortunately the established foreign interests at Canton had become so important that the old system was no longer workable. The failure of the Company in dealing with the difficulties of the situation only added point to the representations set forth for the benefit of the British Government by

the whole mercantile community at Canton in 1831. They had addressed the Canton officials on the restrictions and abuses and the position of the Hong, with no result; more was anticipated from their petition to the House of Commons. They argued that the Chinese would only yield to force, and that the defects of Chinese law, as applied to foreigners, were such that the admitted principle of obedience by foreigners to the law of the country in which they reside, was here impossible.¹ As a remedy for the existing unsatisfactory conditions, they advocated direct representation at Peking—a right already conceded to the Russians—or, as an alternative, the acquisition of an insular position off the coast. The petition was presented in view of the expiry of the Company's Charter, and it was evident that the moment was opportune for a careful reconsideration of the whole position in the East. The centre of interest is thus transferred to London, where the whole question in its two aspects—the monopoly of the Company as affecting British trade, and its position as bearing on our commercial and diplomatic relations with China—was threshed out before various Parliamentary Committees.

The state of affairs with which Parliament was called upon to deal may be again briefly summarized. The whole trade of the United Kingdom and of British subjects with China was nominally in the hands of the Company until April, 1834. The tea trade was exclusively theirs; British subjects and

¹ The Select Committee had expressed a similar opinion. 'Nations in general must be admitted to possess the right of regulating their commerce according to their separate views of policy; but China forms an exception to civilized countries, where trade is regulated by treaties.'

vessels were forbidden to deal in tea in any way whatever. The Company reserved also the whole trade between the United Kingdom and China, with the exception of a small portion allowed by way of privilege to the officers of their ships. But they granted licences to all Indian ships to trade from India to China, and allowed them to export a limited amount even of tea to intermediate ports. This licensed trade had increased greatly. The Company did not grant licences to British subjects, other than those in their employ, to reside in China; but there were a small number, for the most part acting as Consuls for foreign nations, and doing an extensive business. One of the chief causes of complaint was the exclusion of British shipping from the trade between China and continental Europe; the more so as the Company did not touch the business itself. It was left entirely to the foreigner. The servants of the Company at Canton were admitted to have great influence with the Chinese, together with certain exclusive advantages. On the whole, they had upheld the general interests of foreigners, though there were naturally many complaints from individuals. Funds for the purchase of tea at Canton were provided by exports of British and Indian manufactures and produce; but during the last Charter there had been a decrease in the export of British manufactures, more especially woollens, and in some cases British goods had been bought by the Americans at lower prices and exported to China in competition with the Company. There was considerable conflict of evidence as to the profits of the Americans, but there was no doubt as to the growth and continuance of the trade. The Company on the other hand, owing to popular

pressure, had been exporting British manufactures at a loss. Evidence was given as to the great difficulty found in inducing the Hong merchants to take goods in exchange for tea, which was now the sole export of the Company from China. There was the widest difference of opinion as to the effect of the operations of the Company on the general level of prices in the China trade.

✓ The moving force behind Parliament was the large party, both of traders and theorists, who advocated open trade on various grounds. The main contention was that the removal of the monopoly would lead to a great increase in the consumption of British manufactures in China, owing to the superiority of individual over corporate enterprise. In proof of this, the great expansion of Indian trade, since it was thrown open, was instanced, and the example of the American success in China. The price of tea might rise for a time, but in the end transport would be cheaper and the consumer would benefit. The Company could still trade, and, on its own showing, should be infinitely superior to the private merchant.

The advocates of monopoly, as in 1820, relied mainly on two types of argument, the one commercial, the other political. They pointed out that the Hong monopoly was a continual menace to trade. The introduction of a number of competitors would give the Hong an opportunity of which they would be quick to avail themselves. The market would be permanently cornered; prices would rise and the quality of tea would deteriorate. Nor would the British exporter benefit. The market for British manufactures was strictly limited, in spite of the enormous population of China, by the restriction of

trade to a single port and the heavy duties levied on goods in transit to the interior, more particularly to the north where woollens were necessary. On the other hand, unrestricted intercourse at Canton would lead necessarily to frequent disturbances. The Company had often suffered from these, in spite of all precautions; trouble on a grand scale might lead to the total prohibition of trade. Above all, the tea trade of the Company was regulated by Parliament, and the profits were necessary in order to meet the obligations imposed on them in the administration of India. India would suffer, even in the doubtful event of the British consumer getting a reduction in the price of tea; but India could not afford the loss and it must ultimately fall on the British taxpayer. If free trade were to be adopted, it would be necessary to abolish the Hong monopoly and to negotiate a commercial treaty as a basis of intercourse. But the Chinese were not likely to enter into any such arrangement without coercion, nor was it to be expected that a British Consul, unconnected with trade, would possess greater authority than the Company, in view of the fact that the Chinese refused consistently to recognize foreign dynasties. The so-called foreign Consuls at Canton were not recognized officials, but mere commercial agents with no administrative authority and no special influence with the Chinese. In short, the partisans of the Company, relying on past experience, prophesied political trouble with no compensating commercial advantage, as the result of the opening of the trade. Their forecast was not entirely without realization in the near future.

All the elements of a serious disturbance were

present, though it was impossible to say, at the moment, which would be the immediate occasion of an outbreak. Frequently during the inquiry attention was called to the weakness of the Chinese naval and customs organization in the face of systematic smuggling. The system hinged on a particular article which from its high value in proportion to its bulk was marked out as the natural contraband. This article was opium. The existence of the trade throws great light on Chinese methods of administration and the difficulties experienced by the foreigner in his relations with officials. The trade had been illicit since its introduction on a considerable scale at the end of the eighteenth century. Imperial edicts had frequently condemned the practice of opium-smoking in the severest terms, and the witnesses for the Company, in their evidence, did not assert the general complicity of the authorities at Peking. The case was far otherwise with the local officials. There is not the slightest doubt that the trade was carried on with their concurrence, or at least their friendly neutrality. It was a valuable source of revenue, and officials were not always above engaging directly in the traffic; indeed, the smuggling, if so it could be styled, was carried on openly, in the presence of the customs officers. Occasionally, by way of upholding the majesty of the law, opium was seized, and in theory destroyed, or the smugglers lost their heads; though it may be suspected that in such cases the necessary bribes had not been administered. But the business was so far recognized that particulars of consignments were published in the Canton newspaper, and the names of firms and ships dealing in opium were well known to the officials, as their own edicts amply prove. The

position of the Company was peculiar. Neither the Company nor the Hong touched the trade openly, and opium was prohibited on the ships of the Company, and their representatives forbidden to deal in it. But it was carried on the 'country' ships licensed by them, and the commanders of their own ships sent consignments by this means. In fact the latter went so far in 1826-30 as to point out the absurdity of shipping the opium thus, instead of on their own ships at a lower rate of freight. To add to the comedy, the Company inserted in its licences to 'country' ships a clause declaring the licence forfeited if any other opium than that from the Company's sales were carried to China.¹ In short, the opium monopoly was a valuable source of revenue to the Indian Government, and was sanctioned indirectly by Parliament in the renewal of the Charter.

The Chinese were well aware of the fact that the Company thus controlled the trade, but did not press the matter so long as no official countenance was given to the smuggling. After 1820, however, the system worked less smoothly; the conscience of the Viceroy was perhaps stirred by a little extra pressure from Peking. The opium ships were ordered to leave Whampoa, and the trade was checked for a short time, only to be resumed vigorously at Lintin, outside the river and beyond the jurisdiction of the Canton officials. The Viceroy threatened to hold the Com-

¹ Extract from licence 1820. 'Provided and upon condition that the licence shall cease and be void if and so soon as any foreign opium, or other opium than such opium as shall have been sold at the public sales of the said United Company in Bengal, shall be laden with the knowledge and concurrence of the master or commander thereof on board the said ship.'

pany responsible for all smuggling carried on under the British flag, and bonds were demanded from all ships, the terms being that the presence of the least particle of opium would entail confiscation of the whole cargo and expulsion of the offenders from China. The Committee resisted the demand, and the trade went on increasing rapidly, and with it the export of silver, as the only convenient means of payment. In 1826 the traders had hopes that the trade would be legalized, as its suppression was beyond the power of the Chinese. Their hopes were disappointed, and by 1833 the question had become so critical that the Committee realized that the policy of professed ignorance and non-interference was no longer feasible.

The crisis began with petty thefts by a Chinese from a wrecked opium ship at Kumsingmoon: it ended in an armed attack by the boats of the assembled opium ships on a Chinese village. This was clearly a serious violation of Chinese territory, and the Committee were bound to interfere. They wrote home that individuals had been getting outrageous, and that they, as the only representative of Great Britain with 'unlimited power over every British subject and vessel in this Empire', must assert their authority. They censured the ringleader, Captain Grant, in the strongest terms, and ordered him, on pain of revocation of his licence, to surrender the Chinese thief illegally detained by him and to remove from the anchorage at once. His action amounted 'almost to piracy', and was, moreover, highly impolitic owing to its want of success. The Committee were very doubtful whether the Chinese were really in the wrong.

The records leave no doubt as to the secret views of the Committee on the need of suppressing such disorders in the general interest of trade; but in dealing with Chinese officials they were forced to adopt another tone. The officials insisted on the responsibility of the Committee for the affray, and demanded the surrender of the 'murderer'; the Committee disclaimed responsibility for events outside the river, and further maintained that some of the ships involved were not British. The real responsibility rested with the officials who permitted the contraband trade to go on, not with the Committee who had never engaged in it in any way whatever. But the Viceroy, Loo, had a strong case. He pointed out that the Indian ships, at any rate, were subject to the Company, and that their power was proved by the release of the prisoner and the retirement of the ship under their orders. The demand for a scapegoat was steadily advanced until the beginning of the next year, when the matter was settled and the official reputation saved by a characteristically Chinese method. A Malay was induced by means of bribes to surrender voluntarily and to plead extenuating circumstances. The Viceroy, in reply to the protests of the Committee, eventually guaranteed his safety, though at the same time he noted that they had no real basis for action. It was in fact a variant of the proposal of the Hong merchants who had suggested a mock trial of some men at Macao. The death of a native mattered little; the justification of official action to Peking was all-important. We find this element in the problem throughout, whenever trouble arises from similar cases. The local officials feel bound to assert their authority and to satisfy the

demands of Chinese sentiment, hence the strong tone of the edicts ; but they show themselves in practice quite ready to accept any reasonable compromise, as by the adoption of some legal fiction.

It is clear that a firmer basis for intercourse was necessary, apart altogether from the general considerations urged by the opponents of the monopoly of the Company. The British Government decided at length to take over the responsibility, and a new and important chapter opens in our relations with China.

in 1793, the value of British and Irish produce exported by the Company to China reached, between 1803 and 1808, an annual average of over a million; but by 1820 it had dropped back to its old level, while in 1833, the last year of the Company's exclusive privilege, the total was well under half a million.¹ Over ninety per cent. still consisted of woollens, the balance being made up of metals and small quantities of British calicoes and cotton twist. The export of cotton goods is noteworthy as marking the beginning of a new era. If a liberal allowance of ten per cent. be made for the British export trade carried on in American ships, in spite of the Company's Charter, and a further allowance for the considerable fall in prices during the latter part of the period, the result can still hardly be considered as satisfactory, particularly as compared with the trade to India which had more than trebled in value in the period. There was, at first sight, some justification for the view that the throwing open of the trade would be of advantage to the British manufacturer as well as to the British merchant, on the assumption that the responsibility for this stagnation rested with the conservative policy of the Company.

The balance sheets of the Company contain matter which should have rendered the advocates of open trade less optimistic. It is true that the average profits on the China trade from 1815 onwards were over a million per annum; but practically all this accrued from the imports of Chinese produce. The export trade for the whole period, 1793-1834, showed, according to the Directors, a considerable loss, accord-

¹ Value of exports by the Company, £384,000; exports by the privilege trade, £64,000.

60, and bullion 43 millions; of the merchandise, woollens accounted for 33, metals for 13, stores for 10, and foreign goods for about 2 millions sterling. The Company could not with justice be accused of disregarding British manufacturing interests, in view of the fact that the export trade was, on the whole, carried on without profit and not seldom at a considerable loss. The real profits came from the monopoly of the import trade. In 1712 the gross import of tea was 150,000 lb., nearly all for home consumption; a century later it was 21,000,000 lb., of which 4,000,000 were re-exported. The amount realized at the Company's sales was upwards of £3,500,000, the value of tea imported being not far short of that of all other goods together.

The increasing importance of tea as a factor in the trade is evident from the figures, and the importance to the East India Company was still greater since they tended to restrict their dealings more and more to the one commodity in which the highest profit was to be obtained. Such is, in brief, the record of a century of commercial intercourse with China under the monopoly of the Company.

The period 1793-1834 merits more detailed treatment. The chief interest of this period, from the point of view of British industry, lies in the progress of the export of manufactured goods to China. There was, undoubtedly, some ground for the dissatisfaction so often expressed before the various Parliamentary Committees of Inquiry, though it does not necessarily follow that the explanations offered by the critics were correct, or their attacks on the policy of the Company justified.

Starting at about three quarters of a million sterling

in 1793, the value of British and Irish produce exported by the Company to China reached, between 1803 and 1808, an annual average of over a million; but by 1820 it had dropped back to its old level, while in 1833, the last year of the Company's exclusive privilege, the total was well under half a million.¹ Over ninety per cent. still consisted of woollens, the balance being made up of metals and small quantities of British calicoes and cotton twist. The export of cotton goods is noteworthy as marking the beginning of a new era. If a liberal allowance of ten per cent. be made for the British export trade carried on in American ships, in spite of the Company's Charter, and a further allowance for the considerable fall in prices during the latter part of the period, the result can still hardly be considered as satisfactory, particularly as compared with the trade to India which had more than trebled in value in the period. There was, at first sight, some justification for the view that the throwing open of the trade would be of advantage to the British manufacturer as well as to the British merchant, on the assumption that the responsibility for this stagnation rested with the conservative policy of the Company.

The balance sheets of the Company contain matter which should have rendered the advocates of open trade less optimistic. It is true that the average profits on the China trade from 1815 onwards were over a million per annum; but practically all this accrued from the imports of Chinese produce. The export trade for the whole period, 1793-1834, showed, according to the Directors, a considerable loss, accord-

¹ Value of exports by the Company, £384,000; exports by the privilege trade, £64,000.

ing to their critics, a very moderate profit, the difference depending on the manipulation of incidental charges and the question of exchange. On either estimate the export trade was a very small factor, from the point of view of revenue, in the total transactions of the Company. Without the profits on Chinese produce the China trade could hardly have continued, and the general financial position of the Company would have been seriously impaired, even if it had escaped that collapse prophesied by the supporters of the monopoly. The imports of the Company consisted of tea, with a comparatively small quantity of raw silk and nankeens; for the last few years of its Charter the Company dealt solely in tea, leaving all other commodities to the private and privilege trade of its servants.

The import of tea into Great Britain shows a continuous and steady increase from the very beginning, through all the vicissitudes of war, commerce, and fluctuating taxation. The annual average import (gross) for the last decade of the eighteenth century was about 19,000,000 lb.; from 1821 to 1830 it was over 30,000,000.¹ The increase was steady but not rapid; while the fall in price is evident from the reduced proportionate amount realized at the sales: thus the average for the first period was £2,950,000; for the second, only £3,650,000, in spite of the 50% increase in quantity. The State profited from tea almost as much as the Company. The duty rose rapidly from 12½% in 1793 to nearly 100% in 1806; at this point it remained, with slight adjust-

¹ These figures do not take account of tea smuggled from the Continent and Ireland—this method of import was profitable owing to the high rate of duty prevailing.

ments, until 1833. The total revenue from tea in 1793 was about £600,000 ; in 1833 it was upwards of £3,300,000 ; a proof that the Government was vitally concerned in the character and future of the China trade. The price of Bohea, the cheapest variety, was in 1793 $1/8$ per lb., or with the duty added, $1/10\frac{1}{2}$; in 1833 the prices were $2/-$ and $3/11$; an evident bar to any greatly increased consumption by the British public.

The private import trade consisted also of tea, silk, and nankeens ; the value of all other commodities imported was so small that it can be neglected. The following figures give a rough notion of the importance of the two branches of the trade :—

	1793-4.	1833.
Sale amount of Company's goods .	£2,514,594	£3,235,246
„ „ private „ .	£258,981	£293,389

The commercial relations between Great Britain and China were greatly modified both at this and at a later period by the existence of local trade on a large scale between India and China. The central fact in this 'country' trade, as it was styled, was the export of opium and raw cotton from India, while China sent little in the way of merchandise in return. Down to the middle of the eighteenth century the opium trade hardly existed, what there was being in the hands of the Portuguese at Macao. Smoking was forbidden as early as 1729, but opium was admitted still by the customs as a medicine. During the last thirty years of the century, and before the drastic prohibition in 1800, the trade was carried on to some extent in the Company's ships ; after that date it was continued as contraband, technically, in the 'country' ships. At

the time of this prohibition the number of chests of opium exported to China from India was about 2,000 per annum, valued at about 2,200,000 dollars, and the increase was slow for twenty years ; thus in 1817-18 the import by the 'country' trade into Canton and Macao was valued only at 2,950,000 dollars, or less than half that of raw cotton. But the relative positions were soon to be reversed. From 1822 the rate of increase was greatly accelerated, until in 1833 the import reached over 20,000 chests, valued at some 14 million Spanish dollars, or nearly $3\frac{1}{4}$ millions sterling. The resulting export of silver from China was naturally a cause of anxiety to Chinese officials, while, owing to the strictly limited purchasing power of the China market, every increase in the amount of opium imported tended to produce a corresponding decrease in the consumption of British manufactures. Since the opium trade was very profitable to individuals, the interests of our merchants, not for the first time, clashed with those of our industrial classes. The remaining important factor in the intercourse of India and China was raw cotton supplied by India ; this commodity was destined to become of vital interest to the British manufacturer at a much later period. The opium trade was no less essential to the revenue of India than the tea trade to that of the Home Government ; the profits on the monopoly to the Bengal Administration in 1829-30 being over a million sterling, or about 10 % of the total revenue of Bengal.

A fairly complete notion of the commercial relations of China with foreigners can be gathered from the analysis of the British trade at Canton in 1827-8, just before the crisis which heralded the repeal of the Company's Charter.

Imports by the Company (about half British and half Indian):

1. British (woollens, calicoes, and metals)	} 4,518,957 dollars
2. Indian (cotton, and a little sandalwood)	

Private imports:

1. Cotton	3,480,083	„
2. Opium	11,243,496	„
3. Sundries	1,122,064	„
Total	<u>20,864,600</u>	„

Exports by the Company:

Tea (including port charges)	8,765,165	„
------------------------------	-----------	---

Private exports:

Tea	692,767	„
Raw silk	1,145,220	„
Nankeen cloth	649,898	„
Sundries	1,074,236	„
Dollars, Sycee, &c.	6,094,646	„
Disbursements on 47 ships	500,000	„
	18,921,932	„
Balance	1,442,668	„
Total	<u>20,364,600</u>	„

These figures show the heavy liability which China was forced to liquidate in silver; the liability is the greater if we allow for the opium imported or smuggled by other foreigners, as the Portuguese alone, in this year, brought opium to the value of 2,700,000 dollars. A rough estimate of the transactions of the other western nations, and more particularly the United States, will make clear the whole Chinese position. In 1828-9, 1 Prussian, 1 Danish, 3 French, 23 Spanish, and 18 Portuguese ships visited Canton; the European trade carried on by these can be neglected. The Americans come under a different category, as in some years their transactions surpassed even those of the Company. In 1827-8 their trade was valued at 12,500,000 dollars,

¹ The dollar in this year may be converted at about 4/7.

equally divided between imports and exports; but about half of the imports consisted of silver dollars. This fact accounted for the popularity of the Americans with Chinese officials, and also renders somewhat misleading any comparison of the British and American totals.

The share of the private Indian or 'country' trade in the Canton total completes the analysis. It amounted, in the year under discussion, to upwards of 24,000,000 dollars, or more than half the total British trade, two-thirds of this being assigned to imports; so this gives us a definite measure of the interests affected by the stoppages of trade in the disputes between the supercargoes of the Company and the Canton officials. The figures for the last year of the period are similar in character :—

Total British trade at Canton in 1833-4 .	44,300,000 dollars
Company's trade	12,300,000 „
Private (<i>mainly</i> Indian)	32,000,000 „

The cost of the factory at Canton, including the salaries and commissions of the President and Select Committee, the ordinary supercargoes, surgeon, chaplain, tea-inspectors, and interpreters was £89,000, this representing the direct price paid for the advantages of the monopolist organization of the China trade. In the last year of the Charter 25 ships (29,627 tons) were cleared and 21 ships (27,985 tons) were entered in the direct trade between the United Kingdom and China.

During the latter years of the Company's rule the balance of trade was more and more against China; the transactions in merchandise left a debt of from $1\frac{1}{2}$ to 2 millions sterling to be liquidated annually, and payment in silver was the only method available at the moment. This state of affairs was entirely due

to opium ; the remedy was either to check the trade or to increase the output of tea and raw silk, which represented practically the only available purchasing power of China in goods. Such increase depended in its turn on the growth in the consuming capacity of the European and more especially the British market. In short, China at this period offered a strictly limited outlet for certain European manufactures, and a good and expanding market for Indian raw cotton and opium, and for sundry minor tropical products, as drugs and spices. It is evident that under these conditions there was small prospect of rapidly extending the sale of British manufactures in China, whether under a system of monopoly or free trade. The private traders could only justify their attacks on the Company by proving that they were capable either of inducing the British consumer to purchase a greater quantity of Chinese produce, or the same quantity at a higher price, or of discovering in China some new and unexploited source of purchasing power. We shall see how far they accomplished this arduous task.

CHAPTER III

FROM THE OPENING OF THE TRADE TO THE TREATY OF NANKING

THE Act of Parliament¹ which abolishes the commercial monopoly of the Company contemplates three 'Superintendents' to represent British authority in China. It also gives power to the Crown to create 'a Court of Justice, with criminal and admiralty jurisdiction, for the trial of offences committed by His Majesty's subjects within the said dominions, and the ports and havens thereof, and on the high seas within a hundred miles of the coast of China; and to appoint one of the Superintendents . . . to be the officer to hold such a court'.

In pursuance of this Act, and in view of the fact that the Chinese Government had informed the supercargoes of the Company that they wished provision to be made by law for the good order of British subjects resorting to Canton, three Superintendents were appointed by an Order in Council in December, 1833; to the chief of these was given power to hold a Court of Justice at Canton, or on board any British ship in the harbour.

Here we have the formal opening of our official relations with China.

The instructions to Lord Napier and his colleagues throw considerable light on the ideas and policy of the Home Government. The Superintendents were enjoined to watch over trade generally, and to adjust,

¹ 3 & 4 Will. IV, c. 93.

by arbitration or persuasion, disputes between British subjects, or British and Chinese or foreigners. In the execution of these duties they must abstain from threats and from appeal to the naval or military forces, except in extreme cases ; they must avoid irritating Chinese officials, and, above all, constantly impress on British subjects the duty of conforming to the laws and usages of the Chinese Empire, 'so long as such laws shall be administered towards you and them with justice and good faith, and in the same manner in which the same are or shall be administered towards the subjects of China, or towards the subjects or citizens of other foreign nations.' The intentions of the British Government were excellent, though a source of trouble unlimited lay concealed in the last clause. But that something more was contemplated than the maintenance of existing conditions is evident from the additional instructions given to Napier by Lord Palmerston. He was directed to ascertain how far it might be possible to extend trade to other parts of China, to seek for the best means of establishing direct relations with Peking, and to estimate the cost of a survey of the coast with a view to possible hostilities in the China seas. Exploring ventures, such as that of the ship *Amherst*, were not to be encouraged ; 'but you must never lose sight of the fact that you have no authority to interfere with or prevent them.' The British Government, as not infrequently in such cases, was prepared to profit by the results of private enterprise while avoiding responsibility for its methods. Finally, it was advisable to investigate and report before acting on the judicial clauses of the Order in Council.

There is evident in these instructions an attempt to give effect, in a cautious and tentative fashion, to the

aspirations of the British mercantile community towards a wider trade based on more secure conditions than the custom of the Company. The British Superintendent was not to be content merely to assume the mantle of the President and Select Committee.

But the British Government was reckoning without the Chinese, and the advocates of the monopoly of the Company must have experienced a certain feeling of satisfaction at the precise and rapid fulfilment of their pessimistic prophecies. Chinese officials, ignorant though they were assumed to be of western conventions, soon proved that they were well aware of the radical difference between the new official and his predecessors. Evading their efforts to detain him at Macao, Napier reached Canton, and, dismissing the Hong merchants with the intimation that he would 'communicate immediately with the Viceroy in the manner befitting His Majesty's commission and the honour of the British nation', addressed a letter to the Viceroy announcing his arrival. The letter was refused on the ground that all communications must come through the Hong, and the right of direct access to high officials, granted often to the President of the Select Committee, was rigidly denied to the British representative. The Viceroy, in his orders to the Hong, made his position perfectly clear. The barbarian 'Eye' was not to be compared with the old supercargoes, so he must return to Macao and await the Imperial decision on the new policy. He must apply to the Hong, who would then petition the Viceroy, and the matter might be referred to Peking for ultimate decision. This attitude was perfectly natural in view of the fact that no formal announcement of the new appointment and its character had been made by the

British Government to the Chinese ; it was, moreover, quite in accord with Chinese ideas that high officials should refuse to concern themselves directly with petty details of trade.¹

Another edict further explains the official policy of the Viceroy. In this he points out that Napier has offended against custom, since an official coming on new business ought first to have information sent to the Government. Hitherto Chinese officials have not corresponded with the English nation, and the English King has been 'reverentially submissive', so that he cannot have intended his officer to act thus. Trade must be stopped if he will not repent, though the Chinese are anxious to avoid this extreme measure ; for though English goods are not worth a feather to them, the tea, rhubarb, and raw silk of China 'are the sources by which the said nation's people live and maintain life. For the fault of one man must the livelihood of the whole nation be precipitately cut off?' Needless to say this was written for Chinese consumption, and the Viceroy seems to have been something of a humorist. A like sense of the humour of the situation might have saved Napier from excessive irritation at the petty annoyances to which he was subjected. Within a few days of his arrival he writes to Palmerston in the strongest language. 'Looking now at the utter imbecility of the Government and the favourable disposition of the people, I cannot for one moment suppose that, in treating with such a nation, His Majesty's

¹ 'The Celestial Empire appoints officers—civil ones to rule the people, military ones to intimidate the wicked. The petty affairs of commerce are to be directed by the merchants themselves. The officers have nothing to hear on the subject.' Edict to the Hong, July, 1834.

Government will be ruled by the ordinary forms prescribed among civilized people.' He goes on to suggest that we should demand a treaty opening the whole coast to Europeans, with the same personal privileges for all traders that every trader enjoys in England. If the Emperor refuses, we may remind him that 'we traded to all parts of China before his dynasty escaped from the wilds of Tartary'. Little force will be needed, and we must disclaim all idea of permanent conquest. He then quotes with approval the case of Captain Weddell, two centuries before, who knocked their batteries about their ears and was promptly granted an audience with the Viceroy; and the more recent case of Mr. Innes, who burnt a custom-house in return for ill-treatment.

The temper evinced by these dispatches was hardly calculated to cope with the difficulties of the diplomatic situation, nor did the tone of Napier's communications with Chinese officials tend to a peaceful settlement of the questions at issue. He refused to communicate with minor officials, and directed them to refer for information to the Viceroy, who was his equal; he issued a public notice to the people of Canton explaining his position and attacking the officials,¹ and backed up his argument with threats of force and of direct complaint to Peking. In the end the Chinese stopped the trade, the warships were engaged with the Bogue forts, and the British representative was compelled to withdraw to prevent further injury to the trade which he was commissioned to protect.²

¹ 'The consequence is that thousands of industrious Chinese, who live by the European trade, must suffer ruin and discomfort through the perversity of their Government.' Extract from Proclamation.

² If I find the merchants likely to suffer I must retire to Macao

The comment of the home authorities on the receipt of Napier's earlier dispatches was curt and unsympathetic. The original instructions were to be obeyed: 'It is not by force and violence that His Majesty intends to establish a commercial intercourse between his subjects and China, but by the other conciliatory measures so strongly inculcated in all the instructions which you have received.' Later events will show how far the British Government had clearly grasped the nature of the problem which faced their representatives in China.

The Imperial Government at Peking was equally emphatic on the subject. Local officials were censured and degraded for permitting the barbarian warships to escape, and the barbarian officer was enjoined to repent and submit, with a hint that some consideration might then be extended to him. Another Imperial edict pointed out that local extortion might be partly the cause of the discontent of the foreign merchants, and ordered the Viceroy to investigate the matter. Since the Central Government had before it only the official version of the trouble, its attitude seems not entirely unreasonable. But the Viceroy had carried his point: the retirement of Napier and the frigates was an undoubted victory for his policy.

The British merchants at Canton deprecated submission to insults, and petitioned the Crown to dispatch a plenipotentiary supported by a naval force to treat directly with the Imperial Government. Coercion would be a simple matter, as trade could be stopped and all Chinese war-vessels seized. Above all, the

rather than bring London, Liverpool, and Glasgow down on you, 'many of whose merchants care not one straw about the dignity of the Crown, or the presence of a Superintendent.' Napier to Palmerston, Aug. 17, 1834.

assumption of superiority on the part of the Emperor of China must be sternly resisted. In plain terms, this was a proposal to enforce their claims by open war with China. A plan so drastic was scarcely calculated to meet with the approval of the then British Government; so the policy of peaceful diplomacy was continued under subsequent Superintendents. Their instructions were to refuse to communicate with the Viceroy through the Hong, and to insist on equality in official correspondence. Unfortunately these were precisely the two points on which the Viceroy refused to yield, though he was prepared tacitly to recognize the Chief Superintendent so long as he avoided Canton and confined himself to minor administrative functions. In fact, the problem was so difficult that it was seriously proposed by Sir George Robinson that the British Commission should reside permanently on board ship.

It was clear that nothing had been gained so far by the removal of the East India Company; on the contrary, the Chinese were evidently attempting further restrictions. A remarkable memorial to the Throne, at the beginning of 1835, complains that the previous restrictive regulations have fallen into disuse and proposes a revised issue. Foreign warships are to be absolutely prohibited: the responsibility of the Hong for the conduct of the foreigners is to be increased: servants, compradores, and linguists are to be provided for the foreigner only under strict official control, 'to prevent unlawful combination and traitorous procedure': liberty of movement on the part of the merchants is to be greatly curtailed: all communications whatever are to come through the Hong: finally, all ships on the coast are to be compelled to enter the ports to avoid smuggling. The code is sufficiently

drastic and justifies the opinion of Robinson that the British Commission could only be established at Canton by force.

With a view to economy, the number of the Commission was reduced by the British Government in 1836, and Captain Elliot left in sole control.

His position between the instructions of his Government and the requirements of the Chinese officials was not to be envied; nor was his task made easier by the British merchants whose interests he was appointed to protect. The extent of his authority was ill-defined; his advice was repudiated, and in some cases his instructions were defied. One individual had even threatened reprisals on his own account against the Chinese; and the Home Government was constrained to consult solemnly with the Law Officers of the Crown and to announce that his proposed action would amount to piracy and would be treated as such. The policy of conciliation was certainly not in favour with the mercantile community at Canton.

With the opening of the trade a licence was no longer necessary; so that the power of expulsion from China, possessed by the supercargoes of the Company, was no longer available for the officers of the Crown.

The Superintendent had no power to make regulations for the control of the crews of merchant vessels at Whampoa, nor was the British Government disposed to make them independently of Chinese authority. The Law Officers of the Crown were of opinion that the regulations proposed would be 'an interference with the absolute right of sovereignty enjoyed by independent States, which can only be justified by positive treaty, or implied permission from usage'. So he was directed to obtain the written

approval of the Governor of Canton and to transmit it to England, where the Government, if satisfied, might take the necessary steps. The need for some definite arrangement was pressing, as the British Superintendent felt bound, as the Select Committee before him, to resist the seizure of British subjects by Chinese officers, even though this course might involve grave crimes going entirely unpunished.

An early attempt of Elliot to communicate on behalf of the Commission with Canton had merely resulted in his forcible ejection from the gates of the city ; so, in spite of his instructions,¹ he now fell back on the old method and applied by petition through the East India Company's agents and the Hong. The answer, as might be anticipated, was an order to wait at Macao until reference had been made to Peking. His action met with strong censure at home. He was directed by Palmerston to inform the Hong and the Viceroy, at once, that an officer of His Majesty could not hold communications with Chinese officials through private and irresponsible individuals ; he must insist on direct communications in future, and avoid in his correspondence the forms used by an inferior to a superior. None the less, though with some loss of dignity, the main object had been attained. An official memorial to the Emperor pointed out that Elliot really differed little from the late supercargoes, while the foreign merchants stated that he had no ulterior objects ; so

¹ He was instructed by the Home Government to refuse to open communications with the Viceroy through the Hong, as 'the Superintendents are officers of the King and, as such, can properly communicate with none but officers of the Chinese Government'. Moreover he must avoid the term 'petition' in official communications. Palmerston to Elliot, July 22, 1836.

that he might with advantage be allowed to come to Canton on the same terms as the chief supercargoes of the Company. He could be watched, and 'if he exceeds his duty and acts foolishly, or forms connexions with traitorous Chinese, . . . he shall be immediately driven forth'. In March, 1837, an Imperial edict gave the required permission, on the ground that 'though his title and rank are not the same as that of Taepan, the business of controlling does not differ'. The Hoppo added to this that the Superintendent must follow the precedent of residing only for part of the year at Canton. It is somewhat curious that Elliot should consider that the edict formally recognized him as a political official, as this was precisely the admission which the Chinese were most careful to avoid.

This date marks a new chapter in the history of our commercial relations with China, a chapter with a most important sequel. On the whole, after months of negotiation, Elliot was successful in establishing his position. He obtained, in practice, the right of direct communication with officials, and of visiting Canton at any period of the year; but the question of the formal terms of official communications—a matter of grave importance according to Chinese ideas—remained unsettled, and the Viceroy steadily refused to issue his orders to foreigners in any way except through the Hong, in accord with the old practice. His chief means of coercion was the threat to retire to Macao. He encountered the usual difficulties of jurisdiction and was forced, like his predecessors, the supercargoes, to rescue criminals from the grasp of Chinese law; like them, too, he experienced the need of some method of controlling the crews of the English ships

at Whampoa. In fact, the methods of the Company seemed to be revived, after a brief interregnum. In one point there was a change: in relation to opium the British representative could hardly adopt the non-committal attitude of the President and Select Committee, while the changed policy of the Peking Government rendered imperative a definite decision on the whole question of illicit trade. Already, in 1834, an Imperial edict against the import of opium noticed the difficulty that as the barbarians had long carried on the trade they were not likely to abandon it willingly. In 1837 Elliot was anticipating trouble from the same source and prophesied armed interference on our part as the result of the weakness and incapacity of the Peking Government. Among our official papers are numerous memorials to the Throne and official edicts which enable us to grasp sufficiently the bearings of the question from the point of view of the Chinese.

There were two distinct parties among Chinese officials, agreeing in the condemnation of the opium trade on grounds of morality, but differing as to the remedies proposed. A remarkable memorial, forwarded by Elliot in 1837, gives in summary form the views of the party in favour of legalization. Opium in moderation is a medicine and harmless stimulant. Under Kienlung and his predecessors the import was legal; opium paid customs dues and was exchanged through the Hong for tea and silk, the policy of total prohibition dating only from the end of the eighteenth century. At present, in spite of prohibition, smoking has increased; whereas formerly the barbarians brought silver for trade, now they bring opium, and about ten million taels of silver are exported annually, and as a

consequence the price of silver, measured in copper 'cash', is steadily rising. It is impossible to put down the trade by force, but we must prevent 'the annual waste which is taking place in the resources, the very substance of China'. The remedy is to revert to the earlier system, by legalizing the import on condition that 'it shall be delivered to the Hong merchants only in exchange for merchandise, and that no money be paid for it'. Stringent laws may prevent the officials and military using the drug. 'By allowing the proposed importation and exchange of the drug for other commodities, more than ten millions will annually be prevented from flowing out of the Central Land.' Such is the gist of this remarkable document. The provincial authorities were thereupon directed to investigate and report. They decided in favour of the policy of the memorial, and suggested low duties to remove all inducement to smuggling and the most stringent rules to prevent the export of silver. In their opinion the best means to prevent importation was to sanction the cultivation and preparation of the drug in China.

The other party were made of sterner stuff. They insisted that it was unseemly to abandon the present policy: that infraction of the law was no argument against it: that it was as easy to prevent the import of opium as the export of silver: the two evils might be suppressed by a single measure. They argued that the object of the English in bringing opium was to weaken the Chinese, and that their recent conduct proved that they had designs of conquest. Their tone was strongly anti-foreign and they quoted with approval the words of Kanghe in 1717: 'There is cause for apprehension lest in centuries or millenniums to come China may be endangered by collision with

the various nations of the West, who come hither from beyond the seas.' They advocated a policy of reasoning with the barbarian, or, if that were unavailing, the employment of effective force.

The party of prohibition prevailed, and the fact was soon to be made evident in the conduct of affairs at Canton. At the close of 1836 certain merchants were expelled from China on the ground that they were concerned in the opium trade. Elliot, commenting on the matter to his Government, expressed the opinion that on this occasion the Chinese were in earnest. He emphasized in the strongest terms the necessity of opium to our trade,¹ and suggested that short visits from ships of war would be well calculated 'either to carry the Provincial Government back to the system which has hitherto prevailed, or to hasten on the legalization measure from the Court'. An Imperial edict followed in 1837 prohibiting the export of silver and referring to opium as the cause. From this edict Elliot drew the surprising conclusion that the import of opium was to be permitted! He was soon to be undeceived. In the summer a series of edicts, Imperial and local, ordered the removal of the opium ships from Lintin, and laid on the British representative the responsibility for the execution of the order. He could only disclaim any authority to deal with the matter and promise to refer home. The

¹ 'In the actual state of our commerce with China I believe that the interruption of the opium traffic must have the effect, not merely of temporarily crippling our means of purchasing in this market at all, but undoubtedly of placing us, in respect of the prices of the export staples, completely in the power of what may justly be described to be a co-partnership of native dealers. The failure of the opium deliveries is attended with an almost entire cessation of money transactions at Canton.'

Canton officials finally threatened the utmost rigour of the law in the event of the ships coming again. As a consequence of the vigorous repression of native smugglers, we find, in the following autumn, the trade being carried on by 'European passage boats belonging to British owners, slenderly manned with Lascar seamen and furnished with scanty armament',—just enough to provoke trouble.

So far as words can give expression, the Chinese authorities had made their intentions perfectly clear, and the dealers in opium had received adequate warning. Unfortunately, arguing from previous experience of Chinese methods, the mercantile community assumed that the trouble would end in words. They relied on the fact that it was not to the interest of the local officials to put an end to the trade and that the control of the Central Government was ineffective. The event proved that, in this instance at any rate, their calculations were at fault.

The local officials were uncomfortable under the steady pressure from Peking. They were responsible to the Emperor for the execution of the Imperial commands; and in view of the refusal of Elliot to dismiss the ships, they threatened to apply to the Court to expel him from China and put an end to all foreign trade. In a memorial to Peking they stated that all the foreign nations were implicated, but that the British 'country' ships were the chief offenders. The only method of checking the trade was by a general stoppage, and by cutting off supplies of provisions from the barbarians. In the beginning of 1838, a European boat was searched and opium confiscated, for the first time for many years. The warning was not to be mistaken. The British Government

also, through Lord Palmerston, endorsed the action of the Chinese. 'I have to state that Her Majesty's Government cannot interfere for the purpose of enabling British subjects to violate the laws of the country to which they trade. Any loss, therefore, which such persons may suffer in consequence of the more effectual execution of the Chinese laws on this subject, must be borne by the parties who have brought that loss on themselves by their own acts.' This was the only attitude possible on the assumption that China, like any other nation, had the right to arrange its own affairs as seemed best to its rulers; though it implied the admission that the British Government was powerless to prevent the infliction of serious damage on the material interests of India. The mercantile community was thoroughly logical, from the point of view of its own interests, in proposing to deny to China the ordinary position of a civilized nation under the conventions of international law; but coercion by armed force could alone provide a sanction for such a theory.

As the year went on the Chinese methods became more stringent. In April, on the confession of Elliot himself, the prisons were full of smugglers, natives were executed outside the walls of Macao with a view to intimidating the foreigner, and the local officials could not allow much longer the smuggling by armed British boats from Lintin to Canton. The arrival of a British admiral did not tend to allay the suspicions of the Chinese. In December, an attempt was made to execute a native in sight of the foreign settlement at Canton, and when the foreigners interfered the mob replied by driving them into the factories. The British Government very naturally wanted to know

on what ground the foreigners presumed to interfere with 'the arrangements made by the Chinese officers of justice for carrying into effect, in a Chinese town, the orders of their superior authorities'. As usual, they failed entirely to realize the feelings of the men on the spot and the nature of the provocation. Further seizures of British opium were made, and the Hong refused to go on trading until smuggling was stopped, as they were held responsible. The dispute was becoming critical and our representative was bound to intervene. He anticipated bloodshed and ruin, 'all incurred, for the scrambling, and comparatively considered, insignificant gains of a few reckless individuals, unquestionably founding their conduct on the belief that they were exempt from the operation of all law, British and Chinese.' Already, eighteen months before, he had urged the Chamber of Commerce to put it down, and very few of that body were directly involved in the traffic. But it was bringing to Canton the refuse of neighbouring countries, and Canton, until lately one of the safest places in the world, was fast becoming one of the most dangerous. At a general meeting of the foreign residents he announced that he intended to order all vessels under the British flag to leave and discontinue the opium trade; and he warned them that the British authorities would not interfere to prevent seizure and confiscation, and that, in the event of Chinese being killed in smuggling affrays, the foreigner responsible would be liable to capital punishment, in China no less than in England. In this he was merely repeating the decision of the British Government which had been given in the clearest terms in various dispatches.

Such was the state of affairs when, early in 1839, the

Imperial Commissioner Lin arrived from Peking for the express purpose of rooting out the opium traffic once and for all. His arrival was heralded by further warnings from the local officials who pointed to the measures already taken against native offenders and hinted that the turn of the foreigners would now come. There is little doubt that many of these officials would have been willing to continue the trade—in fact the admission is frequently made by Chinese memorialists—but they were at length forced to a display of energy by pressure from Peking. In Lin, the foreigners encountered a new type of Chinese official: he was prepared to translate his words into action at short notice and by drastic means. The Hong were sharply reproved for truckling to the foreigner, and for being concerned in the opium trade, more particularly in the export of silver. The foreigners were ordered to surrender all opium and to give bonds for good conduct in the future: in that case they would be treated leniently; otherwise force would be used and all trade would be stopped. Warlike preparations were made on every side and the attitude of the Chinese became more and more threatening. A British merchant, highly respected, was summoned to appear before the Court of the Commissioner in the city; the message was delivered by the Hong merchants, degraded and in chains. They announced that, if contumacious, he would be dragged by force before the Commissioner and put to death. The object of these measures was clearly intimidation, as Lin continually recurred to the main point, the surrender of the opium, and offered Elliot, as the person responsible, any help necessary to accomplish the task. In a letter to Lin, Elliot acknowledged, for the first time, the receipt of

the Imperial commands and admitted that these must be obeyed. He was prepared to surrender the opium and promised to account for the whole.

Up to this point Lin held a strong position. The smugglers had received ample warning: the right of confiscation had been admitted by the British Government and its representative; if forcible resistance were attempted the responsibility rested with the individual smugglers so resisting; the right to prohibit trade entirely was equally undoubted; while armed resistance by the merchant vessels would be an act of private war, and, as such, could hardly have been countenanced by the British Government. It is difficult to imagine what ground for war we could have invented if Lin had been content with the confiscation of the opium and the expulsion of the smugglers from China. Unfortunately for China, his enthusiasm carried him further, and we find a remarkable change of attitude on both sides. In a public notice to British subjects Elliot, under constraint as he deemed it, and in fear of the lives and liberties of all foreigners at Canton, demanded the surrender of all opium in their possession for the service of Her Majesty's Government. The constraint took the form of a blockade of the factories and a refusal to grant passports for ships and merchants to leave until the opium had been surrendered. But the surrender did not put an end to the trouble. Lin, surprised apparently at the ease with which his task had been accomplished, determined to settle the question for the future. He demanded the signature of a formal bond by Elliot and the merchants on the terms that any vessel bringing opium in future should be liable to confiscation, and that the guilty parties should suffer death at the hands of a Chinese authority, and should submit readily to

the punishment. Furthermore, Elliot was to require his Sovereign to order all his subjects to obey the prohibition of the Imperial Court. Lin also suggested that the British Sovereign should prohibit the planting of the poppy and manufacture of opium in British territory. He insisted that foreigners in China were amenable to native law, just as foreigners in England, and remarked pertinently that if the promise not to deal in opium were genuine the penalty did not matter. His language is worth quotation :

I find that your Sovereign has habitually shown a dutiful compliance, . . . She will assuredly yield obedience to the Celestial Court's prohibitions. . . . How can you bring the laws of your nation with you to the Celestial Empire ?

Elliot could only reply that under these circumstances the English must leave China. Trade at Whampoa was reopened when part of the opium had been delivered, but certain merchants who were marked as specially guilty by the officials were not allowed to leave until, at Elliot's suggestion, they signed a promise not to return. Stringent measures were then initiated for the further control of the trade of foreigners and natives throughout the province of Canton.

As illustrating subsequent events, Elliot's explanation of his whole policy is not without interest. Some months earlier he had thought of ordering the removal of the ships, but refrained, partly because he doubted whether the Chinese were in earnest, partly because the owners differed from him as to the seriousness of the situation. In view of the proposals for legalization, and of the fact that opium had steadily paid its dues, the merchants ought to have been granted time to withdraw from the trade. He considered that general was better than separate and ruinous surrender, on the

ground that the demand, enforced as it was by imprisonment, 'was an act of forcible spoliation of the worst description, justly leaving to Her Majesty the right of full indemnity and future security.'¹ The continuance of restraint and insult, after the surrender, merely made matters worse. Any friend of humanity must deplore the opium traffic, but Lin had not gone the right way to put it down.

On the question of due notice there is ample room for two opinions. As a mere matter of evidence, the warning seems to have been most thorough and ample; but in the light of past experience of such warnings and the character of the Canton officials, it is not difficult to appreciate the error in judgement committed by the mercantile community. Commissioner Lin was a type of official unknown to their experience. A memorial to the Government summarized their views. They complained of the stoppage of legal trade, even of vessels fully laden; of the forcible detention at Canton, the threats of death if the opium were not surrendered, and the attempt to force the signature of bonds. They noted that by maintaining the opium monopoly in India the House of Commons had practically sanctioned the trade. While admitting the right of the Chinese to prohibit the import, they objected to their methods, and requested an indemnity for the opium confiscated as soon as possible. Both the merchants and Elliot failed to observe that the alternative to the blockade method adopted by Lin was the

¹ 'No man entertains a deeper detestation of the disgrace and sin of this forced traffic than I do. I see little to choose between it and piracy. But I could not sanction measures of general and undistinguishing violence against Her Majesty's officers and subjects.' Elliot to Palmerston, Nov. 16, 1839.

forcible seizure of all the ships and persons concerned : a method confessedly legal, which would undoubtedly have been adopted by a European Power with a more strongly organized navy and customs system. It is equally certain that the opium ships would have resisted such seizure by force of arms, and the British Government could hardly have defended their action with any regard to international conventions.

The Imperial Commissioner might with reason at this time congratulate himself on the thorough execution of the task committed to him by the Court. The foreign community had been coerced and humbled, and a vast quantity of opium surrendered with the official concurrence of the British representative. The British community, expelled from Canton, and finding no refuge at Macao owing to Portuguese scruples and Chinese threats, had taken refuge on board the ships at Hongkong. But it was not Lin's intention to destroy the general trade, as this would have involved trouble with the Canton officials and the Court at Peking. All his diplomacy was directed to the reopening of intercourse on his own conditions. In this plan he was aided by the Americans and even certain British subjects, who, attracted by the prospect of great profits, signed the bond, thus, in Elliot's opinion, reducing foreigners almost to the condition of the Dutch in Japan. The trade in British goods went on merrily under foreign flags to such an extent that Elliot recommended the Government to prevent the Americans taking advantage of the crisis to engross the carrying trade to England. The astute Lin made the most of this fact in his appeals to individual merchants, while he put forward a case of homicide in a riot at Hongkong as an excuse for declining formally to reopen the

trade. His terms were that the ships must return to the river and the guilty must be surrendered. He accused the foreigners of using Hongkong as a basis for further smuggling of opium, and ordered the inhabitants of the surrounding country to cut off all supplies, and to attack and make prisoners any foreigners attempting to land. At one period Lin was evidently inclined to a compromise; but encouraged by the defection of a British merchant who returned to Whampoa and signed the bond, he threatened, in the autumn of 1839, to expel from the coast all who refused to sign within three days. He laid great stress on the example of those who had already signed, and refused to admit the plea that Elliot must wait four months for instructions from home. The bond was represented as a merciful alternative to the exercise of the right of search and confiscation. The whole position was absurd, especially since the seizure of opium had removed the existing glut, and thus rendered the attractions of the trade even greater than before, through the expectation of abnormal profits. The action of individual merchants throws into strong relief the advantage possessed by the Company, which could use the entire stoppage of trade as a most effective lever for the coercion of Chinese officials. This advantage was not possessed by the British Superintendent: his powers were limited to exhortation.

In reply to a request from Lord Palmerston, the Committee of the London East India and China Association drew up an elaborate report on the whole question and the remedies to be applied. They maintained that the merchants were not to be blamed for engaging in a trade which had the direct sanction of the British and Indian Governments. As late as 1837,

the Indian Government, by public notice, had even offered a large bonus to shippers to China for that season. The Canton authorities, since 1820, had definitely recognized the trade, on condition that the ships removed from Whampoa to some point outside the river ; but if China persisted in objecting, they could not advocate the continuance of the trade, nor could the British Government support its subjects in violating the law. They had much to say on the position of opium in the balance of trade and its relation to the export of silver. The East India Company, to whom the trade was vital, had endured insults and treatment which could not be tolerated by a representative of the Crown. The Chinese regarded Europeans as inferiors, so the only alternative to complete submission was to demand concessions and to support the demand with force. They enumerated various incidents in the past as evidence that China would yield only to coercion. Our demands must be—an apology for the insults to our representative, and compensation for the opium seized, not in the act of smuggling but under threat of death to all British merchants alike. We should aim also at a commercial treaty to embody certain conditions : Canton must be opened, and also some northern ports, as an outlet for British woollens ; if trade were still limited to the Hong merchants, the Chinese Government must guarantee their solvency ; British subjects must have personal freedom in China and proper legal protection ; the tariff must be fixed by mutual arrangement of the Governments ; the Queen's representative must have direct communication with the Emperor and his ministers, as well as with the local officials ; British subjects generally must not be held responsible for the acts of individuals. It was

also suggested that if the ports were not opened an island might be obtained by purchase or otherwise. These proposals, in themselves, may not appear extremely drastic, and the admission as to opium is worth remark; but from the Chinese point of view they were to the last degree revolutionary.

The policy of the Government was announced by Lord John Russell in the House on March 19, 1840. The object of the warlike preparations was, 'in the first place, to obtain reparation for the insults and injuries offered to Her Majesty's Superintendent and Her Majesty's subjects by the Chinese Government; and, in the second place, to obtain for the merchants trading in China an indemnification for the loss of their property, incurred by threats of violence offered by persons under the direction of the Chinese Government; and in the last place, to obtain security that the persons and property of those trading with China should in future be protected from insult and injury.' The statement was conveniently vague, but its implications are clear. We intended to insist on our claim to be represented formally and officially in China; to exact payment from China for the opium surrendered to Elliot, while repudiating the arrangement made by him with the owners; finally, to compel the Chinese Government to admit our traders on our own terms. The proposals, if less definite and drastic than those of the merchants, were equally calculated to offend Chinese sentiment.

The evidence given before the Select Committee of the Commons, appointed in 1840 to inquire into the claims for compensation for the opium surrendered to Elliot, throws an interesting sidelight on the views and attitude of the mercantile community at Canton.

The right of the Chinese to seize notorious smugglers, except in the act, was disputed; though it was admitted that any attempt to seize the opium from the ships at Lintin would have been resisted by force of arms. It was even asserted that the Chinese had no right of search whatever at the Lintin anchorage, on the ground that it was in the outer waters; though the witnesses did not attempt to deny that the island of Lintin was an undoubted part of the dominions of the Emperor of China. If this idea were common, it is hardly matter for wonder that Lin should suspect the merchants of using Hongkong as a new base for smuggling. There was general agreement as to the imprisonment being more severe than on previous occasions, but many witnesses considered that Elliot had taken too serious a view of the official proclamations; indeed a leading merchant stated that he himself had been expelled by edict no less than twelve times! As to the opium trade, it was so far recognized that prices current, the quantities on the ships, and the names of the consignees were openly published.

The appendix to the report further illustrates the attitude of the servants of the Company on the matter of these official edicts. Thus the Select Committee write in 1831, 'We believe that its violent and dictatorial proclamations are often a tribute which its authorities are compelled to pay to national vanity. They are many of them daily issued and disregarded.' Again, in 1830, they speak of the Hong as 'exemplifying their meaning by an allusion to the edicts annually published against the opium ships, which were never intended to be put into execution'. The report merely adds force to the view that the whole trouble arose from the failure of the foreign community, arguing

from past experience, to realize that Commissioner Lin represented a real intention on the part of the Central Government to enforce its policy over the heads of the local officials. The task before the British Government was twofold: firstly, to compel the Chinese to adopt our views as to commercial intercourse; secondly, to bring the British mercantile community, long accustomed to methods of disorder, to realize the difference arising from formal treaty conditions. The doctrine that rights imply corresponding duties was for many years out of favour with foreigners at Canton.

With the actual conduct of military operations we are not concerned; but it brought into prominence the fact that no amount of pressure on the provincial authorities would produce an effect at Peking. The converse of this, that engagements extorted from the Central Government were not necessarily binding on the local officials, we were destined to realize only after long and unpleasant experience. Our position was stated with the utmost frankness by our plenipotentiary, Sir Henry Pottinger. We had come to enforce reparation for past injuries and insults, and furthermore to compel the Chinese to abandon their policy of exclusion and attitude of superiority towards other civilized nations. These two objects were embodied in the essential clauses of the Treaty of Nanking, August 29, 1842.

The reparation consisted of a heavy payment for the expenses of the war, for the confiscation of the opium delivered as a ransom for the lives of the British representative and British subjects, and for the debts due by certain Hong merchants, on the ground that their monopoly was sanctioned by the Chinese Government. All British subjects were to be released and an amnesty

and indemnity granted to all Chinese formerly in British employ. But reparation for the past was useless without security for the future. The privileges of the Hong were abolished, Hongkong was ceded as a port for the refitting of British ships, and a fair and regular tariff was to be promulgated at the ports. Other clauses had a wider bearing on the subject of intercourse. Canton, Amoy, Fuchau, Ningpo, and Shanghai were opened to British subjects and their families for the purpose of carrying on their mercantile pursuits, and at these ports the Queen was to appoint Superintendents or Consular Officers, 'to be the medium of communication between the Chinese authorities and the said merchants, and to see that the just duties and other dues of the Chinese Government, as hereafter provided for, are duly discharged by Her Britannic Majesty's subjects.' The ceremonial terms, implying equality, under which the chief British officer should correspond with Chinese high officers at the capital and elsewhere, and the expressions to be used by subordinates, were also carefully laid down in Chinese and English.

A clause in Article X of the treaty is of such supreme importance, in the light of later events, that it merits full quotation: 'And the Emperor further engages, that when British merchandise shall have once paid at any of the said ports the regulated customs and dues, agreeable to the tariff to be hereafter fixed, such merchandise may be conveyed by Chinese merchants to any province or city in the interior of the Empire of China, on paying a further amount as transit duties, which shall not exceed . . . per cent. on the tariff value of such goods.' This was amplified by a declaration, signed on June 26, 1843, that the said

transit duty 'shall not exceed the present rates, which are upon a moderate scale'. A tariff and regulations for trade were drawn up in accordance with the treaty and promulgated by the British plenipotentiary in July, 1843. In this notice he called on all British subjects to observe strictly the treaty and announced that he was prepared to use the most stringent means to enforce this observance. Their duties, as well as their rights, were thus brought to the notice of the traders. An Order in Council had already forbidden resort to any but the five ports under penalty of fine or imprisonment at the hands of British Courts.

The duties under the tariff were partly specific but were based on the general idea of 5 % ad valorem both for imports and exports. The regulations for trade were mainly of a technical character; but on certain points they must be noticed. The British Consul, instead of the Hong, was now security for British merchant vessels. Complaints of British subjects were to be brought to the Consul, who must listen also to Chinese complaints, and try to settle matters amicably. In the event of failure he must apply to a Chinese official, so that they 'may together examine into the merits of the case and decide it equitably'. English criminals were to be dealt with by the Consul, according to the laws to be made by the English Government: Chinese criminals by their own law. There was evidently scope for unlimited trouble in this matter of jurisdiction, and a serious attempt was made by Parliament to settle the vexed question of control of British subjects in the Far East. By the Act of 1843¹, the execution of the Act of 1833 was entrusted to the new Legislative Council at Hongkong,

¹ 6 & 7 Vic., c. 80.

with the Chief Superintendent as Governor. The Crown was empowered to authorize the Governor in Council to enact laws and ordinances for British subjects in China or within one hundred miles of the coast, all such laws and ordinances to be laid before Parliament as soon as possible. The Act was a bold attempt to avoid the difficulty, so often experienced under the Company, of control by individuals in London ignorant of local needs and conditions.¹

The negotiations with China were finally concluded by the signature at Hoomun-Chae, on October 8, 1843, of a supplementary treaty. This consisted in the main of minor regulations; but one clause is important as enshrining the principle of most-favoured-nation treatment, and giving the Chinese their first introduction to the intricacies of European fiscal and commercial policy. 'It is further agreed, that should the Emperor hereafter from any cause whatever be pleased to grant additional privileges or immunities to any of the subjects or citizens of such foreign countries, the same privileges and immunities will be extended to and enjoyed by British subjects; but it is to be understood that demands or requests are not on this plea to be unnecessarily brought forward.'

¹ The whole system was reorganized by the great Order in Council of March 9, 1865, setting up a new Supreme Court for China and Japan and bringing Chinese affairs under the direct control of the Home Government through its representatives in China.

CHAPTER IV

FROM THE TREATY OF NANKING TO THE TREATY OF TIENTSIN

THE war which was ended by the Treaty of Nanking is commonly referred to as the 'Opium War'; yet no allusion whatever is made to opium in the text of the treaty! The disgrace of Commissioner Lin marked the end of the policy of severity; the opium question remained as though the war had never occurred. The British Government advocated legalization at a higher duty than on merchandise, on the ground that prohibition was impossible. As early as the spring of 1841, Lord Palmerston instructed Captain Elliot to aim at some arrangement for the admission of opium; but he was warned not to put the matter as a 'demand', nor to threaten compulsion. The instructions to Sir Henry Pottinger were in similar terms. 'Her Majesty's Government make no demand in regard to this matter: for they have no right to do so. The Chinese Government is fully entitled to prohibit the importation of opium if it pleases; and British subjects who engage in a contraband trade must take the consequences of doing so.' But the Chinese officials were content to let sleeping dogs lie; they would not venture a further memorial to the Emperor on this unpleasant subject. Pottinger advised that the British Parliament should be restrained from attempting to legislate on the matter. He drew attention to the absurdities involved in the attempt and to the utter impossibility of carry-

ing out any such legislation. Opium was grown outside our territory in India and the trade was already being transferred to the American flag; so nothing but an international agreement, on the part of all foreign governments, could put an end to it. It would be equally absurd for us to undertake the responsibility of organizing the Chinese customs system.¹

Apart from the moral question attaching to opium, this view could scarcely have been called into question. As to the extent of the harmful effects of the use of the drug there was great difference of opinion among the most competent observers on the spot. The utmost possible for our representative was to call the attention of the English community to the fact that opium was contraband alike in the view of the British and Chinese authorities. A communication from Commissioner Keying to Sir John Davis in 1844 gives the ideas of a cautious official. Sir John Davis had proposed legalization, pointing out that import was allowed under Kienlung and had greatly increased since the attempt at prohibition. He argued, illustrating from English experience, that legalization and a moderate duty would kill smuggling and so both benefit the revenue and check the export of silver. Keying seems to have appreciated the argument, but would not undertake the personal risk involved in giving unpalatable advice to the Court. In the matter of the proposed legalization, Keying admits that smoking cannot be prevented and draws the conclusion that it is not advisable to attempt to prohibit the importation of opium by foreigners. 'The former High

¹ 'Any nation in Europe may prohibit the importation of certain articles of merchandise from England, but none of them can call on England to enforce that prohibition.'

Commissioner, Lin, was unable to wean the Chinese from smoking, and still wished to prohibit the traffic of foreigners, and therefore managed matters badly, and gave rise to war.' He fears that it is useless to petition the Emperor to recognize the trade and prefers that each Government should deal with its own transgressors. The English administrators were compelled to accept the position and to confine their efforts to the separation of the legal from the contraband trade, with a view to minimizing the risk of disturbances. The two parties, however, were still represented in the counsels of the Imperial Government. In 1849 grave fears were entertained that the new Imperial Commissioner, Seu, a conservative of the old-fashioned type, was preparing to renew the policy of coercion. But the other party were aided by the financial needs of the Government, owing to the rebellion. A memorial from one of the Censors, published in the *Peking Gazette* in 1853, enlarges on the need of a new and permanent source of revenue and deplors that the profits on opium at present enrich the coffers of minor officials. Legalization would remove a constant source of trouble with the foreigners and tend to prevent the scarcity of silver.¹ Opium, like spirits and tobacco, is an evil only in excess.

Even from the point of view of our general commercial interests the trade was not an unmixed benefit. The Select Committee of the Commons, reporting in 1847, drew attention to the fact that the payment for

¹ The drain of silver was a serious matter for the local revenue. At Shanghai, soon after the war, the value of the silver tael rose from 1,500 to 2,000 copper 'cash'. The land tax was paid in cash, while the officials remitted to Peking in silver; hence their objection to its appreciation.

opium in silver, owing to the necessities of the smuggling trade, was detrimental to the interests of our manufacturers. The purchasing power of China, as represented by tea, silk, and silver, being limited, the increased import of opium implied the narrowing of the market for other goods. The report proves that the extravagant anticipations of the advocates of more extended facilities for trade had not been justified; the causes of their disappointment will appear later.

The British Government, in its turn, was faced by a party advocating total prohibition. A memorial presented by Lord Shaftesbury embodies their views. The general conclusion of the memorial is that Britain alone is responsible for the trade; that it is dishonouring to our religion and national character and prejudicial to our commercial interests, and is attended with an appalling mortality, worse even than that of the slave trade. The evidence as to the attitude of Chinese officials is carefully selected, as is the usual method of such documents. The whole memorial is marred by excessive exaggeration, absurd misstatements, and wonderful statistics. According to Sir John Bowring, the memorialists had multiplied the number of smokers by ten and the deaths due to opium by a hundred. The authors even maintain that the opium trade is against the stipulations of our treaty. A reference to Article XII of the supplementary treaty is the basis of this statement: the Article merely expresses a hope that smuggling, carried on 'in many cases with the open connivance and collusion of the Chinese custom-house officers', will now cease, in view of the fair and regular tariff. It is hardly necessary to point out that the reference cannot be to opium, for which no fair and regular tariff had

been agreed on. A detailed analysis is unnecessary, as a thorough criticism by our officials in China is to be found in the Parliamentary Papers; but it is significant that the missionaries in China were responsible for much of the exaggeration. Another factor is soon to be included in the already complicated problem of our relations with China.

The opium question stands by itself; the main interest of the period from 1843 to 1857 lies in the attitude of British and Chinese towards the obligations contained in the treaty. The Committee of 1847 were quite convinced of the general desire of the Chinese to fulfil their engagements. They were satisfied that 'the provisions of the treaties negotiated by Sir H. Pottinger appear to have been honestly carried out by the Chinese authorities, except at Canton; and even there the difficulties which have been experienced seem to have arisen more from the turbulent character and hostile disposition of the populace, and the weakness of a remote Government, than from any ill will or want of good faith on the part of the ruling powers'. But they found it necessary, in the light of the evidence put before them, to remind Englishmen in China that though they were entitled to the whole force of the country if injured in person or property, 'yet that the interests of commerce are best consulted by studying a conciliatory demeanour and cultivating the goodwill of the nations with which they traffic.' The implication is obvious, and is fully justified by complaints on the part of our Consuls of the treatment of the natives by foreigners. The British merchants held contrary views. A petition of British subjects in China to the Commons accuses our Consuls and plenipotentiary of subserviency to the Chinese and bias against British

subjects! It demands a 'firm, just, and dignified line of conduct', with a British warship at Canton. At a later period we shall find this opposition of views accentuated, and the British merchant posing as an amateur diplomatist—not invariably with conspicuous success.

In dealing with Chinese policy it is important to remember the peculiar conditions of the Chinese Empire at the time. A state of peaceful trade at one port was quite consistent with open war at another. Canton, owing to its geographical position and the peculiar character of its population, hardly ranked as an integral part of China proper; but the troubles following on the Treaty of Nanking mainly centred in Canton. On the whole, for the first few years, the conduct of the local officials was as satisfactory as could be expected. They had a difficult course to steer between the danger of war with the foreigners and of riot on the part of the native population. Sir John Davis, in 1847, testifies to the 'correct' attitude of Commissioner Keying. 'Your Lordship will see in these papers the earnest desire of the Chinese authorities to maintain their friendly relations with Great Britain by every means in their power.' But outrages were frequent, and our officials were still inclined to a policy of local pressure. Thus, in the spring of 1847, Davis himself made an armed attack on Canton. The Chinese wisely refrained from resistance, and his action was strongly censured by the Home Government. Again, in 1848, Consul Alcock, at Shanghai, threatened to stop the payment of duties and to prevent the departure of the grain junks owing to an attack on some missionaries. In view of the fact that the outrage was perpetrated by junkmen thirty miles away, beyond the

jurisdiction of the Taotai of Shanghai, and that the people of the locality aided the missionaries, the Consul's methods are open to criticism. Lord Palmerston, in expressing gratification at the success of this policy, stated that it must not be taken as a precedent for him or any other Consul. In fact, we were gradually feeling our way towards a more satisfactory diplomatic situation, and to the abandonment of the old principle of the application of force to local officials. None the less, the recurrence of such outrages, in spite of the goodwill of Chinese officials, was a constant source of danger to our relations; a change in the policy of the Imperial Commissioner might easily involve us again in open hostilities.

The difficulties of the situation are illustrated by a most serious outrage at the close of 1848. A party of young English clerks, carrying arms, became involved in an affray with some villagers near Canton and were all murdered. Only by the most energetic remonstrances, accompanied by threats, could Davis procure the punishment of the murderers. The villages were flooded with anti-foreign placards of the most virulent and offensive type, while the Canton officials were quite powerless to guarantee the safety of foreigners outside the walls of the factories. A remarkable address to Davis, purporting to come from the local gentry, gave the grounds of the popular opposition and the consequent failure of the coercive methods of the foreigner. It laid stress on the need of placating the people, and even suggested a modification of the treaty after consultation with the villagers! The document is yet another indication of the essential differences between the Chinese and European conceptions of the function and power of the

Central Government. The British merchants blamed the weakness of our representative and demanded ships of war. Palmerston, in reply, politely regretted that the merchants did not use their influence with their employés to prevent these risky excursions. There was, in truth, great need for discretion on the part of foreigners at Canton. In an earlier case the Consul at Canton had even felt justified in taking proceedings against a British subject for his conduct. The proceedings failed, owing to technical difficulties, but the Government expressed regret at the failure, and Palmerston directed the dispatch containing their views to be made public by all Consuls in China. His language is most severe: 'Unfortunately the case . . . affords sufficient evidence that in the British community in China persons may be found who, disregarding their duties as peaceable citizens, are unmindful of the great commercial interests which they may put in jeopardy, and heedless of the disastrous consequences which would ensue if tumults which they wantonly provoke should lead to a renewal of hostilities between England and China.'¹ It is perfectly clear that in the matter of these outrages the faults were not all on the side of the Chinese.² The attitude of the British representative was entirely in accord with the instructions of his Government; the merchants would have been better employed in controlling their servants than in attacking him, as they did, in the most unmeasured language.

¹ Palmerston to Davis, March, 1847.

² Referring to some disturbances in 1842, Sir H. Pottinger stated that merchants, while claiming British protection, had not aided him in soothing the Chinese. He absolutely refused to send troops and warships to enable them to carry on trade at Canton.

A source of further trouble was encountered in the actual execution of the terms of the treaty.

The Chinese from the first showed a tendency to confine their acceptance of treaty obligations within the narrowest limits. Though the natives who had helped the foreigner were pardoned, yet they were made to feel that they were objects of official suspicion; an Imperial edict directed that they should be carefully watched, and security taken for their future good conduct. In another direction the officials had more reasonable ground for refusing to keep to the strict letter of their engagements. In spite of pressure from our representatives they steadily refused to open Canton, on the ground that the attitude of the populace rendered it impossible to guarantee the safety of the foreigner within the walls of the city. The British Government recognized the difficult position of the local government, and in the agreement at Bocca Tigris, in 1846, it decided to evacuate Chusan without insisting for the present on the admission to Canton, though the right was by no means abandoned.¹ In the following year Commissioner Keying formally agreed that the city should be opened to foreigners after two years from April 6.²

¹ 'His Majesty the Emperor of China having, on his own part, distinctly stated that when in the course of time mutual tranquillity shall have been insured, it will be safe and right to admit foreigners into the city of Canton, and the local authorities being for the present unable to coerce the people of that city, the plenipotentiaries on either side mutually agree that the execution of the above measure shall be postponed to a more favourable period; but the claim of right is by no means yielded or abandoned on the part of Her Britannic Majesty.' Article I of the Convention.

² 'The intention of returning my visit in the city is excellent,

When the time came we had to deal with an official of a less yielding type than Keying. Commissioner Seu united to a strong antipathy to foreigners a considerable contempt for the power of England. So when, in 1848, Sir George Bonham, in a letter complaining of the lack of personal intercourse, referred to the opening of the city gates in the following April, Seu replied that it was out of the question, as it would lead to disturbances ; moreover, the action of Keying was merely 'a measure dictated by peculiar circumstances of the moment'. Our representative was in a difficult position. A large force would have been needed to enforce our right, while its practical value was doubtful ; on the other hand, if we overlooked the point the Chinese would not credit our determination to insist on the full execution of the treaty. Palmerston was of opinion that the advantage to be gained was not sufficient to warrant a strong expedition, though the treaty right, if maintained, might prove useful in the future, and Bonham suggested that our demands might be limited to the right of entry for the Superintendent and Consuls. 'This temporary postponement of our claim will, of course, not affect our right to renew our demand for its concession whenever the present state of ill-feeling shall have undergone such a change as may give hopes of successfully negotiating it.' The Peking Government again supported their Commissioner in his refusal to apply coercion to the people of Canton.¹ For the moment

but the time for it ought still somewhat to be delayed. It is therefore now agreed that two years from this day's date British officers and people shall have free entrance into the city.' Agreement with Keying, April 6, 1847.

¹ 'It is not in the power of the Government of China to cross

we were content with a formal protest, while reserving our right to future action.¹

There is much to be said for the Chinese contention; but unfortunately the marks of Imperial favour bestowed on the officials concerned lead to the suspicion that fear of violence from the mob was not the sole motive inspiring their action. The outcome of the negotiations was, not unnaturally, looked on as a victory for Chinese diplomacy at the expense of the barbarian. This diplomacy showed itself later in the attempt to prove that the words of Bonham, quoted above, implied an abandonment for ever of the British demands. Chinese pride had been deeply wounded by the treaties, and it was the evident policy of the officials to prevent the extension of commercial intercourse as far as possible without disturbing the peace. The representatives of this policy were promoted by the Court, while those responsible for the treaties had been degraded or censured. It was extremely doubtful whether any communication distasteful to the Commissioner ever reached Peking, and the need of direct access was becoming more pressing every day as relations were more strained. Commissioner Seu adopted a thoroughly diplomatic attitude. In 1852 he wrote that he would be charmed to meet our new Superintendent, Sir John Bowring, but that he was really too busy at the time with official duties. A similar reply was made by Commissioner Yeh to a long dispatch

the wishes of the people out of deference to those of the men from afar.' Yeh, quoting an edict of the time of Bonham.

¹ 'The question at issue rests where it was, and must remain in abeyance. The discussion of it cannot at present be further prosecuted between your Excellency and myself.' Bonham to Seu.

giving a history of the whole controversy, and requesting a personal interview at his official residence within the city. He had no objection to an interview outside the walls, such as had been granted by his predecessor, but these fruitless discussions as to the right of entry were not even desired by the British Government. Former Superintendents had recognized that the matter was best left alone. For the time Chinese policy was triumphant: the European situation prevented the British Government from adopting a firm policy, even if the ground of complaint had been such as to warrant the disturbance of the whole trade. British diplomacy was long-suffering, but sources of trouble at Canton were accumulating steadily; the attitude of the Chinese officials became daily more impossible; but little more was needed to force the British Government from its method of peaceful negotiation.

On October 8, 1856, the match was applied to the powder. The lorcha *Arrow*, flying the British flag, was boarded by Chinese soldiers, who hauled down the flag and carried off twelve of the crew. The vessel was registered at Hongkong, and though the term of her register had expired, the fact was apparently unknown at the time to the Chinese officials. Consul Parkes, on the refusal of his demand for the surrender of the prisoners, addressed the Imperial Commissioner in the most emphatic language. The men must be publicly returned to the boat, and then the accused might be conveyed to the British Consulate.¹ 'An insult so publicly committed must be equally publicly atoned.'

¹ By Article IX of the supplementary treaty, Chinese criminals taking refuge on British ships could only be claimed through the British authorities.

Yeh replied that the seamen were concerned in a recent piracy; that the boat was not a foreigner, but was owned by a Chinese; and that he had already ordered nine of the men to be put on board again.

Apart from the technicalities of the case, the question at issue was perfectly clear. Firstly, were British ships liable to be boarded by the Chinese military without reference to the Consul, the flag to be hauled down, and the crew, however guilty, to be carried off prisoners; secondly, was the Commissioner at liberty to declare a vessel Chinese in the face of the assurance of the Consul that she was British, and of his own admission that she carried foreign papers? His action amounted to 'a declaration on his part that he will respect neither British flag nor British register whenever any Chinese states to him that a vessel so provided is not British owned'.¹

There had been trouble a year or two before on this same subject. The British Government had been inclined to refuse sanction to a Hongkong Ordinance of 1855, establishing a system of registration, on the ground that a difficult legal question was raised by the fact that the Ordinance did not insist that Chinese owners should be British subjects. In a smuggling case in 1855, Bowring, quoting the Ordinance, insisted that over the vessels, as distinct from the cargo, the British Consul alone had jurisdiction, and that the British authorities would punish the owners for breach of the Ordinance. In view of the unsatisfactory legal position and of the tendency to concession shown by Yeh,² the affair might have been settled by diplomacy;

¹ Parkes to Bowring.

² 'Hereafter, if any lawless characters conceal themselves on board foreign lorchas, you, the said Consul, shall of course be

but the outrage came at the end of a long series of attacks on British subjects and insults to British officials, so that the Consul had the full support of the British representative and the approval of the Government in his subsequent action. The time for polite remonstrances was past. Consul Parkes demanded, in the form of an ultimatum, a public apology and surrender of the twelve men. The Law Officers of the Crown were of opinion that Article IX of the supplementary treaty had been clearly violated, and the Government, in view of the important principle involved, considered that the reparation demanded was the minimum which could be accepted. The Chinese Commissioner, like his predecessor, Lin, erred through want of appreciation of the British attitude towards questions of national prestige. He restored the men, though not in the public manner required, but refused any apology, and still maintained the theory that the *lorcha* was not a foreigner. An Imperial junk had already been seized by way of reprisal; the seizure was followed by the destruction of the barrier forts and the threat to destroy all the defences and public buildings of the city, together with all Imperial ships, in default of instant compliance with our terms. The Commissioner retaliated by threatening the vengeance of the people, and backed up his threat by a proclamation ordering the extermination of the English and offering a reward of thirty dollars per head. He further announced to the Americans that he had no longer leisure to protect them, and that the English

informed of the same by declaration (from the Imperial Commissioner) in order that you may act in conjunction (with the Chinese authorities) in the management of such affairs.' Yeh to Parkes.

were responsible for any loss which they might suffer. The fact that Yeh still apparently expected to carry his point, after such a proclamation, only shows the extraordinary misconception prevailing among Chinese officials as to the peculiarities of the British character. The operations followed the usual course. The fleet easily accounted for the defences of the city, but Yeh refused to yield to coercion. He still maintained the justice of his case in the matter of the lorcha, and advanced the oft-repeated objections to the entry of foreigners into Canton. In the meantime, his offer of rewards for heads resulted in widespread plans for assassinations, including an attempt at wholesale poisoning of the foreign community at Hongkong. Imperial edicts approved of his conduct, as the Peking Government were ignorant of the true state of affairs. An attempt to communicate through the friendly Viceroy of the two Kiang provinces failed, as that official would not risk interference with the supreme power of the Imperial Commissioner over commerce at the five ports. The separation of China into independent sections again foiled our officials, though at the same time it enabled us to carry on a peaceful trade at the other four ports in conjunction with a state of war at Canton. In the end the foreign factories at Canton were burnt by the Chinese, and the British fleet, having nothing left to protect, retired to wait for reinforcements with which to bring the Chinese to a more reasonable state of mind.

The policy advocated by the British merchants was put before Lord Clarendon by the East India and China Association of London. A new treaty was needed ; a revision of the tariff ; the opening of Canton, and of more free ports ; liberty to visit the interior, as

already accorded at Shanghai, and the free navigation of the larger rivers. From the diplomatic point of view the chief requirement, as proved by recent events, was permanent representation at Peking.

In tracing the course of events in detail there is a risk that we neglect the broad outlines of the questions at issue; occurrences which appeal greatly to the imagination are not necessarily those of the greatest importance for the correct appreciation of history. Particularly in the case of China are we likely to pay too much regard to campaigns and dramatic incidents, to the exclusion of less interesting and more obscure movements. So it is useful to pause at this point and attempt to arrive at some general idea of the progress of our relations with China since 1834 and the policy and ideas of the different parties concerned. The reports and opinions of our Consuls in China, drawn up for the benefit of Lord Elgin, provide a most useful summary of undoubted authority. One of the most instructive of these is by Consul Alcock, who certainly cannot be accused of any slackness in the protection of British rights and interests in China. In criticizing the proposal to open the rivers and canals of China to the navigation of foreign vessels, he draws up a most severe indictment of the conduct and policy of the foreign community. 'The worthless character of a numerous gathering of foreigners of all nations, under no effective control, is a national reproach as well as a public calamity. They dispute the field of commerce with honest men, and convert privileges of access and trade into means of fraud and violence. In this career of licence, unchecked by any fear of their own Governments, and protected, in a great degree, by treaties from the action of the native

authorities, the Chinese are the first and greatest, but by no means the only sufferers. There is no Government or nation of the great European family that does not suffer in character, and in so far as they have any interests at stake in China, in these also both immediately and prospectively. This is the danger which has long threatened the worst consequences in wide-spread hostility and interrupted trade.' Access to the inner waters will increase the evil to an enormous extent.

Unfortunately there has been a tendency in Europe to underrate these elements of disturbance or to regard them as inevitable. A few facts will show their real character and consequences. The treaty of Nanking aimed at exemption from the arbitrary and vexatious system represented by the Hong. The end was attained, but a new evil at once sprang into being. 'Foreign merchants, in direct custom-house relations with Chinese authorities, all more or less venal and corrupt, launched into a wholesale system of smuggling and fraudulent devices for the evasion of duties.' Chinese laws and the stipulations of the treaty were set at nought by force or fraud, the Imperial revenue was defrauded, and foreign trade was converted into a game of hazard. The Chinese Government are now well aware that they can look for no observance of the treaties until they themselves can make evasion impossible; the treaty Powers have never made any real effort to grapple with this difficult problem. The exemption from territorial jurisdiction also brought its attendant evil. 'Contempt for all Chinese authority, and disregard of inherent rights, habitual infraction of treaty stipulations, licence and violence wherever the offscum of the European nations found access, and

peaceable people to plunder—such were the first-fruits of this important concession ; and time only served to increase their growth.’ It is true that no precautions would have removed the traditional hostility of the Cantonese. ‘It is not less true that if gross abuse of foreign flags, and the immunities they gave by treaty, had not been habitual, and matters of notoriety, especially in the class of lorchas vessels—smugglers and pirates all—the particular ground of quarrel in which the Canton difficulty began, would in all probability never have arisen.’

An important provision of the treaties¹ was tolerance for the Christian religion ; but this was granted on the express stipulation that all access to and domicile in the interior was forbidden. This stipulation has been deliberately and systematically infringed, chiefly by Roman Catholic but also by Protestant missionaries. The treaty has even been made an excuse for frequent and irritating interference between Chinese subjects and their own authorities on the mere report of a missionary even in the most distant provinces². The attempt to assert the supremacy of the spiritual over the temporal power led to the extinction of Christianity in China in the eighteenth century ; at the present time the missionary movement has unhappily become identified in the official mind with the attacks of the

¹ The French and American treaties differed somewhat from the British : they contained provisions for the revision of the tariff and clauses dealing with the protection of Christians, while they were without the stipulations as to consular aid in the suppression of smuggling.

² Sir John Bowring found it necessary to point out that the fact of being engaged in the service of British subjects (missionaries) did not remove the Chinese from the jurisdiction of native officials.

X
rebels on the constituted authorities. The worst enemies of Christianity 'have been its missionaries and declared protector among the western Powers'. Three centuries ago the Portuguese, owing to their plundering and piracy in the neighbourhood of Ningpo, were destroyed by the inhabitants, and with them thousands of native converts. The northern ports were closed until 1843. Only three months ago (1857), a combined attack was made by the Ningpo people, aided by the Cantonese, on a large fleet of piratical lorchas, under the Portuguese flag, and manned chiefly by Portuguese, who had long been the terror and pest of the coast. In 1853-5, while Shanghai was in the hands of the rebels, and was besieged by the Imperial troops, the foreign settlement, containing property of enormous value, lay between the combatants. The settlement was in frequent danger from the lawless acts of foreigners. On one occasion, a missionary was seen on the walls encouraging the rebels; on another, the whole settlement barely escaped destruction in an attack of the Imperialist troops. 'The community were indebted to a large firm among themselves for this danger; which, in defiance of the laws of neutrality, and the denunciation by their own authorities of any such acts, had undertaken to supply the insurgents with heavy guns, and in concert with a storekeeper and the said insurgents, were giving delivery for their transport to the city across the settlement.' The British Government alone, by granting wide powers to the Consuls, has made some effort to deal with the difficulty; though even the United States has been compelled to appoint salaried officers in place of merchants. France has a properly salaried Consul

only at Shanghai. Other foreigners are left entirely without control.

The terms of the above indictment are strong ; but not too strong for the circumstances. A careful study of the official reports of our representatives in China affords convincing proof that the cases mentioned by Alcock were not isolated, but typical of a large class of a similar character. It is evident that in the matter of observance of treaties the Chinese were far from being the only offenders. It is equally evident that the Treaty of Nanking, in one of its aspects at any rate, was a complete failure. But the chief object of all our efforts, and the justification of heavy expenditure on the part of the British Government, was the extension of commerce. The taxpayer contributed in order that the merchant and manufacturer might benefit. It is possible that the contributions would have been less liberal could the future have been foreseen. The treaty had removed impediments to intercourse, had opened 1,000 miles of new coast and four important markets on the seaboard. Sir Henry Pottinger stated to the people of Manchester that he had opened up a new world to their trade so vast 'that all the mills of Lancashire could not make stocking-stuff sufficient for one of its provinces'. Our merchants, not without reason, were carried away by the idea of trade with a third of the human race. The result was melancholy. The exports of British manufactures to China were less in value by over half a million in 1850 than in 1844 ! Imports of silk and tea had increased greatly ; but they were paid for entirely with specie and opium. The rush of exports, after the treaty, glutted the market and ruined the traders ; the subsequent movement was steadily retro-

grade. We had failed to realize the fact that the Chinese were already self-sufficing as well as thrifty. To displace their home industry we must offer them cottons suited to the needs of the masses and at a lower price than the products of the native looms. The working classes in China were almost invariably clad in rough homespun; the domestic industry was universal; while the products of Lancashire were neither sufficiently cheap nor sufficiently durable for their purposes. Our goods were not popular, and only appealed to a small class; they were taken because we took the Chinese tea;¹ so that a change in the taste of the British public might have serious results on the export of our cottons and woollens to China. The most important goods for exchange on our side were not cottons and woollens, but opium and the products of India.

The experience of our merchants was a remarkable confirmation of the contentions of the East India Company as to the essentially limited character of the market for our manufactures in China; it also provides material for serious thought, when we come to examine the views of the merchants as set forth for the benefit of Lord Elgin.

The proposals of the Shanghai Chamber of Commerce comprise the usual points. They advocate the reduction of the tariff to the basis of 5 % *ad valorem*,

¹ The Committee of 1847 recommended the reduction of the tea duty as 'essential to the extension of our trade with China, nay, even to its maintenance at the point which it has already reached'. It was pointed out by witnesses that the duty was in effect a tax on the export of our manufactures, in which we had to face the competition of America; it was also a great injustice to China, in view of the enormous difference between the English and Chinese customs duties.

the legal admission of opium, the specification of inland charges, and British representation at Peking. They deprecate the opening of a large number of ports without consular jurisdiction, but suggest that the real need is liberty to travel and reside in the interior under consular passport. If this is attained, they anticipate an extension of the market for British manufactures comparable to that experienced in India between 1834 and 1850. They believe that, in spite of the perfection of the hand-loom industry and the low scale of wages in China, the British manufacturer can compete, if unnecessary obstructions are removed.

The official instructions to Elgin clearly indicate the double character of his mission. He was to proceed to the Peiho and to offer to meet a Chinese plenipotentiary with a view to the settlement of all matters in dispute, associating himself with the French and American authorities as far as possible, and using his own discretion as to naval and military operations. He was authorized to make certain demands and to use coercion in the event of a refusal. These demands comprised reparation for injuries to British subjects, compensation for losses, and the complete execution of the treaty, at Canton and elsewhere. Further points were to be objects of negotiation rather than peremptory demands. These were the residence or occasional visits of a British minister to Peking, the right of British officials to communicate in writing with officials at Peking by means of messengers chosen by themselves, and the revision of the treaties with a view to further facilities for intercourse—as more open ports and access to the interior. In the conduct of operations he was to keep open the trade at ports other than Canton, and avoid all unnecessary destruction of life

and property. His attention was specially directed to certain points in the commercial settlement. The Government considered that the right to travel in the interior was of greater importance than the right of residence; but it was advisable to aim at the opening of all the ports and great rivers. As to internal duties, commutation, as in Turkey, would be excellent if it really carried exemption; 'but it may be doubted whether any sufficient security could at the present moment be obtained in China against internal exactions, and it might turn out that the payment of a commutation duty would be only an additional burden upon trade without any equivalent advantage.' The words were prophetic. He must find out whether the Peking Government was disposed to revoke the opium prohibition, but special care must be taken to avoid any promise to protect the Chinese revenue. Freedom must be obtained for all Christian communities, and, if possible, for Chinese converts, with liberty to travel for missionaries and other peaceful people. Finally, there must be a full confirmation of the present extra-territorial jurisdiction of the British Crown. Our representative must bear in mind throughout that 'Her Majesty's Government have no desire to obtain any exclusive advantages for British trade in China, but are only desirous to share with all other nations any benefits which they may acquire in the first instance specifically for British commerce'.¹ A remarkable combination of policies is apparent in these

¹ The East India and China Association endorsed this policy. 'We are quite willing to concur in the same liberality which was voluntarily accorded on the former occasion, by allowing to all other Powers all the advantages which we may obtain for our own country.' (Memorial to the Government, 1857.)

instructions. They mark the end of the individual action of England and the beginning of the concert of the Powers; they contain the old principle of coercion and local pressure and the new plan of negotiation with the Central Government; they include points which might readily be conceded by the Chinese, and others which could only be satisfied effectually by a revolutionary change in the Chinese character and administration. They bear evidence that the British Government was still at a loss as to the right method of dealing with an eastern Power, so that it is hardly matter for surprise that on some of the above questions the diplomacy of their envoy had but a very partial success.

On his arrival at Hongkong, in the summer of 1857, he was at once called upon to decide a momentous point of policy. Local opinion, supported by Sir John Bowring and Admiral Seymour, was unanimously in favour of the principle of local coercion. Canton must be thoroughly humbled before the trouble could be settled. But past experience had proved that little or no impression could be made on the Court by such means; the advocates of an attack on Canton were simply playing into the hands of the Peking authorities, who would be in a position to support or disavow the action of Commissioner Yeh according to the results of his policy. In the opinion of Elgin and the British Government the exclusive policy of the Court of Peking was at the root of all our difficulties with China: no mere local settlement could put our relations on a satisfactory basis.¹ Moreover, it was

¹ 'The concessions which we obtain must be so ample in substance, and so uncompromising in form, as to put it out of the power of even that ingenious and sophistical people to attribute

doubtful whether sufficient force was available for operations against Canton, in view of the diversion of reinforcements to India.

There was also the danger of complications with other Powers if we interfered with the shipping at Canton; it was no longer a question merely of the complaints of British subjects. But an expedition to the Peiho, unaccompanied by a strong force, was equally inadvisable. A rebuff would further injure our prestige which was already suffering from events in India. It was important, too, that we should wait for the French plenipotentiary who was not expected until the autumn, since the Chinese from the first had made the most of our supposed isolation. The refusal of an interview to the Russian ambassador, a few weeks later, showed the response which might be anticipated in the absence of coercion. In December, after the arrival of Baron Gros, the British demands were presented to Commissioner Yeh. They comprised the complete execution of the treaty at Canton, including the opening of the city and compensation for all losses. The blockade would then be raised, but the forts retained until the conclusion of a treaty with the Emperor. Yeh, in reply, refused to make any concessions and reiterated his arguments as to the *lorcha*, the immediate cause of the trouble. As a consequence, the city was occupied and the Commissioner himself taken prisoner. The British continued to control Canton, and trade was reopened with the concurrence and goodwill of the local officials, while at the same time methods of coercion were being applied to the Central

to weakness or pusillanimity a moderation prompted by humanity alone.' Elgin to Clarendon, July 9, 1857.

Government—a state of affairs hardly possible outside China.

In February, 1858, after long delays, the second part of the task was undertaken. In a letter to the Chief Secretary of State at Peking, Elgin, after giving an account of recent events, offered to meet a plenipotentiary at Shanghai with a view to the conclusion of a new treaty and the settlement of all matters in dispute. But the central officials, by the refusal of direct communications, proved that the policy of the Court was unchanged. So the expedition sailed northward, and at Tientsin, after many diplomatic wriggles, the Chinese plenipotentiaries, sorely against their will, conceded the whole of the British demands. The Treaty of Tientsin was finally signed on June 26, 1858.

The treaty, as the ultimate basis of foreign relations with China for the rest of the century, merits the most careful examination. The first article renews and confirms the Treaty of Nanking, but the supplementary treaty and the trade regulations are superseded. The most important novelty is put in the forefront of the document: the British Government may appoint a resident ambassador at Peking with all the usual privileges of such ministers. He may come and go at pleasure; his letters are to be inviolable; he may communicate with a high official on terms of equality, and shall not be called on to perform 'any ceremony derogatory to him as representing the Sovereign of an independent nation'. Provision is also made for the appointment and proper treatment of consular officers. By these clauses, China is compelled, on paper, once and for all, to surrender her formal claim to superiority over western nations.¹

¹ 'The concessions, . . . in the eyes of the Chinese Government

As part of the same concession the term 'barbarian' is no longer to be applied to the British Government or British subjects. But the surrender had no basis in reality; a mere form of words cannot alter ideas which represent the growth of centuries.

Next in importance to the position of British representatives come the rights of British subjects. By Article XV the principle of extra-territoriality is fully recognized. 'All questions in regard to rights, whether of property or persons, arising between British subjects, shall be subject to the jurisdiction of the British authorities.' In the case of criminal acts, British and Chinese are to be tried and punished by their respective authorities; but in the case of disputes between Chinese and British the procedure is curious. The aggrieved party of either nationality must bring his complaint to the Consul, who will try to settle it in a friendly manner; if this is impossible, 'then he shall request the assistance of the Chinese authorities, that they may together examine into the merits of the case, and decide it equitably.' It is noticeable that the precise position of the British and Chinese officials in such cases, and the procedure to be followed, are left uncertain; this clause has merely a provisional character. Other clauses deal with the recovery of debts and surrender of fugitive criminals, and the general duty of the Chinese authorities to protect the persons and property of British subjects. Article XII is worthy of full quotation. 'British subjects, whether at the ports or other places, desiring to build or open houses, ware-

amount to a revolution, and involve the surrender of some of the most cherished principles of the traditional policy of the Empire. They have been extorted, therefore, from its fears.' Dispatch of Elgin.

houses, churches, hospitals or burial-grounds, shall make their agreement for the land or buildings they require, at the rates prevailing among the people, equitably, and without exactions on either side.' The outcome of this provision was inevitably compulsory purchase, with all its attendant difficulties aggravated by the want of machinery and the natural anti-foreign feeling of the Chinese. The clause was also made the basis of very wide claims on the part of the merchants, claims not in the least contemplated by the framers of the treaty. The matter will be dealt with later. Another concession, of general application, is the freedom of persons professing or teaching the Christian religion from persecution or interference, so long as they pursue their calling peaceably and do not offend against the law.

The above arrangements, together with the clauses as to the suppression of piracy by concerted action and the visits of British ships of war, important as they are in themselves, are merely subsidiary to the grand purpose of the whole treaty, the promotion of British trade with China. The portions of the treaty framed with this object may be classified as matters of principle and matters of detail. In the latter are included the elaborate regulations as to customs and tonnage dues, re-exports, the method of levying duties and the conduct of ships entering a treaty port. They belong rather to the technical history of the trade. The matters of principle are partly novel, partly re-statements and modifications of the older system. British vessels trading with ports not open by treaty are liable to confiscation with their cargoes; while, in the case of ordinary smuggling, the goods may be confiscated and the ship dismissed and prohibited from further trading.

But England will not undertake the protection of the Chinese revenue.¹ 'The Chinese authorities at each port shall adopt the means they may judge most proper to prevent the revenue suffering from fraud or smuggling.' By these clauses the duty of the foreign merchant to abide by the terms of the treaty is clearly recognized.

Articles IX-XI contain the new concessions. British subjects may travel for pleasure or trade to all parts of the interior, under passports issued by their Consuls, and countersigned by the local authorities. Offenders against the law or persons without passport are to be handed over to the nearest Consul for punishment. This is a moderate and reasonable attempt to deal with the difficult question of control over the foreigner outside the treaty ports. Niu-chwang, Tangchau, Taiwan (Formosa), Swatau, and Kiungchau (Hainan) are opened to trade. The new area thus provided for British enterprise was greatly extended by the opening of the Yangtse to British merchant ships. Owing to the rebellion, this concession could not be fulfilled at once; but Chinkiang was to be opened within a year, and three other ports on the restoration of internal peace.

Finally, Article XXVIII deals with the vexed question of inland transit duties. The Treaty of Nanking had provided for free transit after payment of the tariff, and a fixed transit duty; but since no accurate information had been furnished as to the amount of the

¹ In spite of the terms of the Treaty of Nanking, Lord Palmerston had held that we were justified in refusing British Consular interference for the protection of the Chinese revenue, both on the ground of the remissness of the Chinese officials and of the absence of any such concession in the French and American treaties. Palmerston to Bonham, 1851.

duty, and British merchants constantly complained that charges were suddenly and arbitrarily imposed by the provincial officials, the authority responsible for the collection of the duty must, within four months, on the application of the Consul, declare the amount leviable on exports and imports alike, between the port and the inland market or place of production. 'But it shall be at the option of any British subject, desiring to convey produce purchased inland to a port, or to convey imports from a port to an inland market, to clear his goods of all transit duties, by payment of a single charge. The amount of this charge shall be leviable on exports at the first barrier they may have to pass, or, on imports at the port at which they are landed; and on payment thereof, a certificate shall be issued, which shall exempt the goods from all further inland charges whatever.' The charge is to be as near as possible $2\frac{1}{2}\%$ ad valorem. Such is the wording of the treaty on a question which has worried British representatives ever since. Information as to certain inland duties had been published by the Chinese authorities at Canton and Shanghai, but there was no attempt at co-ordination in accordance with the terms of the earlier treaty. The duties were of long standing, as we hear of them under the sway of the East India Company.¹ At that time they were moderate in amount, and excited little interest; and as late as 1847 the Select Committee of the Commons found little cause for alarm. They reported that the attention of Consular Officers should be drawn to the question of

¹ The transit duties resembled those in India and gave rise to similar problems. Apparently they pressed more heavily on tea than on other commodities.

transit duties, 'by which the effect of the low duties at the ports of entry might be effectually defeated. On this head, however, there is not as yet much ground of complaint.' Sir Henry Pottinger in 1843 had noted the same danger.¹ The matter became serious, not from any desire of the Chinese Government to check trade, as this meant loss of revenue, but owing to the financial necessities entailed by the civil war. The provincial authorities were compelled to find fresh sources of revenue, and increased impositions on foreign trade excited far less opposition than new taxes on the natives. The line of least resistance was naturally adopted; and, owing to the peculiar methods of Chinese administration, a duty once levied was maintained, even when the need for increased revenue had been removed. The provincial officials had no interest in augmenting the Imperial revenue derived from the maritime customs, and were impervious to arguments as to the benefits of a larger trade which were readily admitted by the customs authorities. The cumulative effect of this system of taxation was marked in the growing restraint of trade as the rebellion dragged out its long course. The chief need, as the merchants pointed out, was certainty: Elgin believed that he had obtained this by the provisions of the treaty; but at the same time, he considered it unreasonable to demand differential treatment for

¹ 'It is so obvious that it is hardly necessary to point out that whatever facilities may be outwardly introduced for the export or import trade of the seaports, the whole of those facilities may be rendered absolutely nugatory, so far as the greater part of the Empire is concerned, by such onerous transit duties being demanded on goods passing through the country as should amount to a positive prohibition of their transit.' Pottinger to Elepoo, Jan. 21, 1843.

goods passing into or leaving the hands of foreigners. The Government was responsible for canals and roads, the system of octroi was universal, and it would be an injustice to native traders, and would imply a revolution in the financial system of the whole of China, to insist on that complete freedom for goods claimed by the foreigner.

The whole treaty bears evidence of a desire to deal tenderly with Chinese prejudices; and this is further emphasized by the relegation to a special article of the question of indemnity for the losses of the merchants and the expenses of the war. The same disposition was shown in the treatment of the difficult question of residence at Peking. The Imperial Commissioners, shortly after the signature of the treaty, pressed Elgin to move the English Government to exercise the option under Article III by only sending a representative occasionally to Peking. They laid stress on the danger from collisions with the populace and the loss of prestige to the Peking Government in the event of trouble. There is no doubt that this clause in the treaty was regarded with the greatest aversion, and it was important that we should do our utmost to maintain the good relations existing at the moment. Elgin noticed as remarkable the fact that the Commissioners still retained the Imperial favour instead of being degraded or losing their heads for their concessions. Their language was moderate and reasonable; if they failed to obtain the suggested concession the tone of the Court might change for the worse. Moreover, the right of residence, if held in abeyance, would be a powerful lever for securing the due observance of the terms of the treaty. On these grounds, he advised the British Government to concede

Hooy!

the point, on condition that full effect should be given to the remainder of the treaty, and the British Ambassador be properly received at Peking when the ratifications were exchanged. It was only in the British treaty that permanent residence was provided for; but other Powers might claim under the most-favoured-nation clause. If such a claim were at any time admitted, the objection to the residence of a British minister would be automatically removed. 'And further, although I adhere to every opinion I have formerly expressed with regard to the importance of the establishment of direct diplomatic relations with the Court of Peking, I am bound to admit that the position of a British minister at the capital during the winter months, when the thermometer, if Humboldt is to be believed, falls to 40° below zero, the river Tientsin is frozen, and the Gulf of Pechelelee hardly navigable, would not be altogether a pleasant one. And that it is even possible that, under such circumstances, his actual presence might be to the mandarin mind less awe-inspiring than the knowledge of the fact that he had the power to take up his abode there whenever the conduct of the Chinese Government gave occasion for complaint.' Such were the considerations which influenced Elgin and the Government in making this concession to Chinese sentiment; they were soon to discover that their moderation was not appreciated at Peking.

After some delay the Treaty of Tientsin was completed by the Agreement as to the tariff and rules of trade, signed at Shanghai on November 8, 1858. Salt and munitions and implements of war are still contraband, but the restrictions as to opium, 'cash,' and grain are relaxed. The import of opium is allowed at

a comparatively heavy rate of duty, though it is to be carried into the interior by Chinese only and as Chinese property; but special privileges as to transit duties are withheld and the Chinese Government may impose such dues as it thinks fit. British subjects may export copper 'cash' and rice from one Chinese port to another under strict regulations, but export abroad is still prohibited. These concessions are important; and in a general tariff of imports staple British manufactures are treated with great moderation. In the case of imports, the idea of 5 % ad valorem is carried out in the specific duties; in other words, the tariff of 1843 is readjusted to correspond with the change in prices. The export duties on tea and silk are unchanged. The duty on silk is actually less than 5 %, but it cannot be raised owing to French interests being involved.

Rule 7 deals with the transit question. A fixed sum, payable at the port, or at the first inland barrier in the case of native produce, is substituted for the former numerous and variable charges. A transit duty certificate will be issued by the customs authority and must be presented at every barrier station. Any breach of the rules, as by sale of goods in transit, is punishable by confiscation. The intention of the rule admits of no doubt; henceforth, goods, the genuine property of British subjects, are free from all charges whatever in transit, between any part of the interior and a treaty port, in either direction, on payment of a single fixed charge at the beginning of the journey.¹

¹ 'In the case of imports.—Notice being given at the port of entry, from which the imports are to be forwarded inland, of the nature and quantity of the goods; the ship from which they have been landed; and the place inland to which they are bound, with

Rule 10 introduces a principle with far-reaching consequences. The Chinese high official appointed to superintend trade may, independently of the suggestion or nomination of any British authority, 'select any British subject he may see fit to aid him in the administration of the Customs revenue; in the prevention of smuggling; in the definition of port boundaries; or in discharging the duties of harbour-master.' While declining all responsibility for enforcing the Chinese revenue system, the British Government was quite ready to provide the local officials with skilled advice in the task of adapting their methods to the needs and habits of European traders.

The treaty held out some prospect of a permanent and reasonable settlement of many long-standing causes of trouble; all depended on the real sentiments of the parties to the contract.

The conclusion of the treaty was naturally followed by a certain amount of friction. There was an impression among the Chinese that the Peking Government was not in earnest, an impression strengthened by the procrastination of the Imperial Commissioners in the matter of the tariff, and the neglect to inform the provincial officials in distant parts of the Empire of the new conditions. Lord Elgin himself found it necessary to use threats, and the position was not improved when Mr. Bruce succeeded him as British representative. His instructions from the Home

all other necessary particulars: the collector of customs will, on due inspection made, and on receipt of the transit duty due, issue a transit duty certificate. This must be produced at every barrier station and visé. No further duty will be leviable upon imports so certificated, no matter how distant the place of their destination.' The provisions as to exports are similar.

Government were simple. He was to reside for the present at Shanghai, while the right of removing to Peking must be held out as a threat to secure the due observance of the treaty ; but he must rigidly insist on his temporary reception at Peking in accord with the terms of the treaty. He must refuse to permit the slightest assumption of superiority on the part of the Emperor over Her Majesty, and endeavour to impress on the Chinese Court the advantages of permanent residence at Peking and of the sending of a Chinese ambassador to England. Bruce himself, in his dispatches, pointed out that this provision, together with the clauses as to the navigation of the Yangtse and inland travel, were diametrically opposed to the traditions and policy of the Chinese Government. In the matter of the Yangtse the Imperial Commissioners showed a reasonable disposition, even to the extent of making concessions beyond the strict terms of the Agreement. But the reception at Peking touched the Court more nearly ; and here the reactionary party proved their power. A remarkable edict, showing intense hostility to the barbarians, and enjoining measures for their discomfiture, came into the hands of Elgin, and though the Commissioners denounced it as a forgery, unfortunately it represented only too accurately the attitude of the Central Government. No sooner had the fleet left the Peiho than the most elaborate preparations were made for a strenuous resistance. When Bruce proposed to proceed to Peking the Commissioners used every artifice to defeat his purpose. They suggested that he should undertake the journey by land—a clear attempt, as a reference to previous history proves, to place him in the degrading position of former envoys. In spite of their efforts

the sea route was adopted, and not the slightest hint was given by the Chinese that opposition would be offered. But the Peiho was blocked, and the failure of the attack on the Taku forts was a serious blow to British prestige. It confirmed the anti-foreign party in their policy and rendered war inevitable. The real Chinese policy was made perfectly clear by the treatment accorded to Mr. Ward, the American envoy. He was invited to Peking, but on his refusal to allow concessions to be extorted by bad treatment¹ he was ordered to retire to Pehtang, to await there the ratification of his treaty. In the capital he was kept under the most rigid surveillance; his retirement took place in a springless cart. The significance of this method of conveyance is evident from the experience of earlier embassies: the chair, the horse, and the cart representing the three types of vehicle in order of dignity. It seems that the officials had made up their minds to the loss of Canton, but still believed that the North was secure from the attack of the barbarian sailors. The sternest measures were necessary for their thorough education. Bruce was instructed to demand an ample apology for the action of the Taku forts, and to state that the British Government no longer considered itself bound by the agreement as to non-residence at Peking. A public notice was to be issued to the Chinese stating that we were going to the capital to demand an apology and the ratification of the treaty, but had no desire to interfere with friendly commercial relations. Even at this point we showed

¹ A draft note in the vermilion pencil characterized Mr. Ward's offer to pay the same respect to the Emperor as to the President of the United States as absurd, since it would be placing China on an equality with the barbarous nations.' Elgin to Russell, 1860.

a disposition to be tender of Chinese prejudices. Our ambassador was directed to waive the question of an interview with the Emperor, and some discretion might be used as to the employment of western forms of reception: 'but it is essential that you should correspond on terms of equality with the chief officers of the Empire, and that you should refuse to submit to any degrading ceremonial, either on the occasion of an audience of the Emperor or on any other.'

In the spring of 1860, Lord Elgin was again dispatched to procure by force the ratification of his own treaty. He was advised to avoid any continued occupation of Chinese territory and to arrange for payment of the indemnity by the appropriation of part of the customs dues. He was again left a free hand in the matter of residence at Peking, but was warned of the danger of the dissolution of China through the success of the rebels if the Emperor were pressed too hard and should retire to Tartary. In the meantime, peaceful relations continued with the Empire at large. The provincial authorities were polite, but the treaty remained a dead letter. On the capture of the forts and the occupation of Tientsin the British demands were conceded in full; but Chinese diplomacy again intervened; the war party was in the ascendant until crushed by another battle and the advance of the allied forces to the gates of the Imperial city. The treatment of Mr. Parkes and his companions proved that the Tartar soldiers and officials were far more barbarous than the foreign 'barbarians'. The burning of the summer palace was a necessary warning to them that their methods of war were even less tolerable to European ideas than their methods of diplomacy. The victory of the allies was marked by the appointment

passed

of a negotiator who, whatever his sentiments with regard to the foreigner, yet recognized clearly that China henceforward must adopt different methods in the execution of her policy. This negotiator was Prince Kung.

The Convention of Peking, finally signed on October 24, 1860, is remarkable rather for the circumstances attending its conclusion than for its actual provisions. It includes an apology, with arrangements for the payment of an indemnity and for the retirement of British troops. Tientsin is opened to trade and the lease of a portion of Kaulun becomes a complete cession. By Article V the emigration of Chinese coolies is for the future to be permitted. The main object of the operations is obtained by the confirmation of the Treaty of Tientsin and the distinct admission of the right of the British Crown to appoint a permanent ambassador at Peking. The signature of the convention within the city and the formal reception of foreign envoys and soldiers was an effective blow to Chinese exclusiveness. Foreign relations and trade were no longer a matter for distant provinces; they had been forced on the unwilling notice of the inhabitants of the Imperial city and the members of the Central Government.

CHAPTER V

COURSE OF TRADE FROM 1834 TO 1864

THE period 1834-43 opened with high hopes on the part of the British trader as to the fortunes to be gathered in the markets of China; his illusions were not destined to survive the test of experience. There was the inevitable rush of exports, the high-water mark being reached in 1836-7; but the ebb left the trade little better than at the opening of the market.

The annual value of British produce exported to China in the first half of the decade was £1,000,000; for the second half it rose to £1,200,000. But this did not please the trader, more particularly as the profits fell below his anticipations. The figures conceal a remarkable change in the character of the goods exported. There was a great decline in the value of woollens, only partly compensated for by a rise in cotton piece-goods exported:—

Cotton piece-goods, average 1834-8,	£324,000;	1839-43,	£434,000.
Woollens	„ „	£485,000;	„ £255,000.

The export of cotton yarn averaged about £150,000 throughout the period. Some of the complaints may have been due to the fact that one class of producers was gaining at the expense of another. The fall in values represented partly a reduction in the actual

quantity exported, partly a smaller price received. The tonnage of shipping entered and cleared—a further index to the general commercial condition—also showed little growth. The import trade followed a similar course with a maximum point in 1836-7:

Tea, average	1830-4,	32,000,000 lb. ;	raw silk,	132,000 lb.
" "	1835-9,	40,000,000 lb. ;	"	963,000 lb.
" "	1840-4,	36,000,000 lb. ;	"	251,000 lb.

The decline in the last period was largely due to the state of war at Canton, but the over-trading of the previous years must not be forgotten.

The Indian trade was affected in like manner, the year 1840 being marked by a sharp drop in the export of opium, as a consequence of the policy of Viceroy Li and the troubles at Canton:—

Average annual export of opium to China (partly estimated):

1830-4	. . . .	17,000 chests
1835-9	. . . .	26,000 "
1840-4	. . . .	21,500 "

This decline was followed by a steady growth in the next period, though it is worth remark that even thus early there was a considerable production of native opium in China. Thus the liabilities of China to India still increased to the detriment of her purchasing power for British manufactures. The average annual value of Indian merchandise exported to China between 1834 and 1845 was a little under four millions sterling, opium accounting for two-thirds and raw cotton for most of the remainder; while the average imports were about half a million. Owing to the method by which the opium trade at Canton was then carried on, the balance was settled for the most part in silver, the annual net export of silver from China to India being

valued at from one and a half to two and a half millions sterling. The latter figure is probably nearer the mark. Hence the importance of the silver question in the view of Chinese officials, an importance somewhat exaggerated by their political prejudices and by the localization of the immediate effects of the drain in the Canton region. The removal of the Company had not changed the character of the Chinese market ; the commercial problems were the same and the difficulties perhaps increased by the excessive competition of individuals. From the standpoint of the British producer, at any rate, the result of the experiment was far from satisfactory.

It is perhaps hardly fair to take this short and troubled period as an index to the value of the contentions of the advocates of open trade, but in general expectation, an expectation shared by Sir Henry Pottinger, everything was to be set right and a new era of prosperity inaugurated by the Treaty of Nanking and the effective opening of the vast inland markets of China to British enterprise. The sole point neglected was the means possessed by China as a whole, to pay for the inundation of British goods with which we were preparing to overwhelm her. The settlement of the commercial clauses entailed a careful examination of existing conditions ; Mr. Thom, who assisted in this task, provides us with a remarkable view of the whole foreign trade of China at the moment. He values the legal imports at 11,200,000 dollars, and the illicit opium at 13,800,000 ; the goods exported, consisting almost entirely of tea and silk, were about equal in value to the opium, thus leaving a balance of over 11,000,000 dollars to be paid in treasure. The full balance-sheet is worth transcription.

<i>Duty.</i>	<i>Cr.</i>	<i>Dollars.</i>	<i>Dr.</i>	<i>Dollars.</i>	<i>Duty.</i>
Ships' disbursements } 10 % and Tonnage dues }		500,000	Opium, rice, } pearls, and }	15,594,630	Free, smuggled, or contra- band.
12 % Tea . . .		9,450,000	treasure }		
3½ % Silk . . .		2,747,000	Ginseng . . .	65,000	80 % (much smuggled)
7¼ % Sugar and Candy .		370,000	Raw Cotton .	5,000,000	5½ %
12 % Cassia . . .		240,000	Cotton goods }	2,090,000	6 %
5¾ % All others . . .		532,750	and yarn }		
Treasure . . .		11,160,250	Woollen goods	1,047,000	7 %
			Metals . . .	261,650	11 %
			All others . . .	941,720	7½ %
<i>Total</i>		<u>25,000,000</u>	<i>Total</i>	<u>25,000,000</u>	

With the dollar converted at 4/6, this would give a total foreign trade of over £11,000,000. These figures are, of course, to some extent estimates; the value of tea exported should perhaps be increased, with a corresponding decrease in the treasure; but they are sufficiently near the mark to illustrate the essential characteristics of the trade, characteristics which were not fully realized by our merchants and diplomatists.

It can hardly be maintained that China taxed commerce heavily, by comparison with the practice of European countries at the time, and more particularly that of England in respect of tea. In fact, at this period, the weight of taxation in China played but a small part in the determination of the quantity and character of her imports and exports.

The signing of the treaty was the signal for another rush to secure the profits anticipated under the new order. Within two years the value of our exports to China was almost doubled, even woollens sharing

in the boom ; then came the reaction, with its heavy losses, and the pessimistic report of the special Committee of 1847.

DECLARED VALUE OF THE EXPORTS OF COTTON PIECE-GOODS AND
WOOLLENS TO CHINA.

	<i>Cottons.</i>		<i>Woollens.</i>
	£		£
1842	. 470,000	.	146,000
1843	. 655,000	.	417,000
1844	. 1,457,000	.	565,000
1845	. 1,636,000	.	539,000
1846	. 1,024,000	.	439,000
1847	. 850,000	.	389,000

The mere fact of the Committee basing conclusions on so short an experience illustrates the general tendency to look for catastrophic changes in the Far Eastern trade ; and a reference to the diagram (page 132) shows that the inquiry was held at a date which marks almost the lowest point in the trough of the depression. In their view, the trouble was due, not to a lack of demand for our manufactures, but to the difficulty of providing a return. As the payment for opium absorbed the available supply of silver, only tea and silk were left to balance the import of foreign manufactures ; but England and the United States were the only large consumers of these commodities, so the Committee naturally concluded that the commercial advantages of access to three hundred millions of people were strictly limited by the extent to which we could increase this consumption. The restricted character of the foreign commercial relations of China at the time, prevented any indirect settlement through other importing countries. In default of an increase in Chinese exports, either the quantity or value of our

imports into China must be reduced. On this point the British Consul at Canton writes :—

‘It must be borne in mind that the import trade is regulated by and depends wholly on the export trade, and that therefore only an increase of exports can cause a corresponding increase in imports. The China trade being essentially a direct barter trade, it is obvious that unless means can be found to take from the Chinese a larger amount of their principal export, tea, there seems to be but a limited prospect of deriving for the British manufacturing interests all those advantages which the new position we hold in the country consequent on the late war must lead them to expect.’ Dispatch, Feb. 15, 1847.

An improvement in the silk trade might be anticipated from the opening of Shanghai, in the neighbourhood of the chief producing districts, but the Committee were convinced that the only quick and effective remedy for the depression was to be sought in an increased consumption of tea, while this, in its turn, depended on a reduction of the duty in the United Kingdom, which stood at about 200 % on average qualities, and over 350 % on the worst. In 1834 the duty on Bohea was 1/6 per lb.; on other sorts, 2/2 and 3/-. In 1836 all sorts paid 2/1, and in 1840 an additional 5 % was imposed. The duty was almost prohibitive on the inferior grades of tea. The revenue raised from tea increased to £4,000,000 in 1842 and £5,000,000 in 1846.

The tea-consumption of the western world at the time was estimated at 72,250,000 lb. divided as follows :—

	lb.
United Kingdom	45,000,000
British Empire	7,000,000
United States	7,000,000
Russia	10,000,000
All others	3,250,000

It is evident from these figures that the British consumer, and incidentally the British Government, held the key to the situation, and that the elaborate investigation by the Committee into the conditions determining the use of tea was amply justified. The whole inquiry tended to emphasize the fact that there was little change in the essential conditions of the trade in 1847 as compared with the last years of the Company, and thus to justify the warnings uttered by their advocates before the Parliamentary Committees.

In spite of violent fluctuations, the whole trade was not without vitality, though the rate of progress did not satisfy the aspirations of the British merchant and manufacturer. A comparison of the chief items, from 1845 to 1864, affords the best index to the general movement.

	Declared value of British exports to China and Hong- kong. Million £.	Export of Indian opium to China. Chests.	Imports of tea into United Kingdom from China. ¹ Million lb.	Imports of silk into U.K. from China. Million lb.
1845-9 } (average)	1.73	39,000	52	1.82
1850-4	1.80	53,500	67	2.86
1855-9	2.65	68,500	74	4.41
1860-4	4.38	62,300	106	2.05

But averages bring small consolation to the trader who finds his balance sadly wrong in some particular year. The value of our exports showed, in 1850,

¹ During this period China alone need be considered in relation to our consumption of tea, though after 1840, as a result of the experiments of the Indian Government in planting, Indian tea entered the market in small quantities. In 1851 our imports of Indian tea were 250,000 lb.; in 1864-5 they had risen to 2,500,000 lb., out of a total import of 120,000,000 lb. From this date it is necessary to consider the Indian in relation to the Chinese tea trade.

practically no increase on 1843; in 1854 it was considerably less. China, in spite of her size and population, did not take half as much of our goods as Holland, Australia, or the North American colonies; it was surpassed even by the West Indies as a market for British products. The explanation lay in the fact that China herself had a vast domestic industry. There was economic and geographical justification for the neglect of foreign trade by Chinese officials, since the Empire was self-sufficing, and bartered its products internally. British imports, being almost exclusively textiles, had to compete with and displace the home product; the process was rendered the more difficult by the intense conservatism of the Chinese people and a certain want of adaptability or knowledge on the part of the British manufacturer. Raw silk was even shipped to England in wrappers of Manchester long-cloth as being the cheapest material available and most easily spared by China. This was hardly the purpose intended by the British producer, but the Chinaman steadily refused, as he still refuses, to change his mode of dress to suit western ideas of comfort or fitness. In this case, however, there was neither true fitness nor comfort; we should have had to put two or three times as much raw cotton into our heaviest goods in order to clothe the masses in China according to their needs; but in such case competition in price with the native product would have been impossible. One of our Consular officials thus sums up the conclusions drawn from an experience of ten years: 'With the exception of our own domestics, I have never yet seen a Chinaman wearing a garment of our longcloth who had to get his daily bread by his daily labour.' The clerk and shopkeeper of the cities were our main customers,

not the vast agricultural population; these were our competitors, since the domestic textile industry was an essential element in the rural economy of China.

Other causes of the slow rate of progress were to be found in the unequal pressure of the tariff and combinations among Chinese merchants, together with the growth of internal taxation and the disturbance of the markets caused by the civil war. In the principles of combination the Chinese had nothing to learn from the foreigner; they had long practised the methods which are generally associated, in the nineteenth century, with the coming of the American financier; and their proceedings were facilitated by the foreigner's ignorance of the native language and the elaborate and complicated organization of the native markets.¹ The tariff became a pressing question towards 1858; an example will best illustrate its effects. White shirtings paid a specific duty which represented 5 % ad valorem on the basis of prices in 1843; it was equivalent in 1857 to over 10 %. The duty on similar grey goods was about $7\frac{1}{2}$ %. Grey T cloths, on the other hand, and dyed and figured shirtings paid duty ad valorem, nominally 5 %, actually about $4\frac{1}{2}$ %. Between 1855 and 1857 the former type of goods lost, while the latter gained heavily. Our business suffered from the want of elasticity in a customs system rigidly fixed by treaty. The rise in the effective duties was partly due to a fall in price, partly to the fact that inferior qualities were now imported, though they came under the same category as the superior for purposes of taxation.

¹ 'Trade combinations are the life and soul of Chinese commerce, and monopolies in strict accordance with its institutions.' Consular Report on Canton, 1867.

So, though the purchasing power of China grew rapidly in the fifties, with the increased export of tea and silk, our manufacturers were surprised to find no proportionate increase in the demand for their goods; the increase was to the credit of India and the Straits, while we were forced to pay in silver, in so far as we could not push our manufactures. This was a remarkable reversal of the silver problem of a few years earlier.¹

In fact the private trader was feeling the difficulty of forcing a trade, a difficulty which had exercised the ingenuity of the agents of the East India Company from the earliest period of intercourse; though cotton goods had now displaced woollens as the chief factor in the game. One of our officials, in 1852, ventured on the prophecy that a century later China would be the same, and then an enormous increase in her foreign trade was not to be anticipated as her internal economy would not alter, though raw cotton from India might form an exception. We might supplant the listless energy of the Hindu or Malay on his own hearth, 'but let us beware how we found upon that success any hope of supplanting the sturdy household thrift of the Chinese.' The prophet was nearer the mark than is often the fortune of his kind, and the warning is not without application to a more recent period.

The condition of trade at Shanghai in 1857 well illustrates the change in the balance of liabilities. The exports were valued at £10,023,292, and the legitimate imports at £3,010,511; the opium imported

¹ 'As long as a demand exists for tea and silk, and the Chinese will take nothing but silver in payment, so long will the drain continue.' Memorandum by Consul Robertson, December, 1857.

at £4,272,555 and the treasure at £4,287,990; thus both the opium and a large portion of the treasure were needed to settle the balance due to the Chinese exporter, so far as Shanghai was concerned. The opium, though technically contraband, paid import duty unofficially, but the Indian drug was no longer in sole control of the market. Consul Meadows, reporting on Niuchwang in 1863, gives the reason. 'The quantity of Indian opium imported into this district depends altogether on the state of the Shensi crop.' The foreigner was destined to face competition in his special monopoly. In fact the general situation and the 'balance of trade' had changed radically since the thirties. The British manufacturer would gladly have substituted his wares for the treasure, if not for the opium, could he have prevailed on the Chinese to accept them; but the market demanded silver—not for the first time in the history of our Eastern trade—and once again the early directors of the East India Company were justified.

The growth of internal taxation was the outcome of the financial necessities of the provinces engaged in repressing the rebellion; in fact the rebellion accounts for fluctuations in the China trade otherwise inexplicable. In 1855 the rebels were in possession of Nanking and a great part of the banks of the Yangtse, but they had not yet seriously affected the tea and silk districts supplying Shanghai. The disturbed state of the country generally, however, tended to check the import trade, as merchants were more disposed to realize than to pile up heavy stocks for the future. The falling off in the central districts was partly neutralized by an improvement, in 1856, at Canton, where the rebels had been checked, and by the grow-

ing outlet for Shanghai goods provided in the north at Tientsin and Niuchwang. On the occupation of the tea districts and the closing of the routes by the rebels in 1856, the export of tea fell away greatly, part being lost entirely, part being diverted to Fuchau, along the routes still open. So we find a sharp fall in the British imports of tea in 1857. The export from Shanghai, which had risen from 15,000,000 lb. in 1847 to 76,000,000 in 1855, dropped suddenly to 42,000,000. The export of silk, on the other hand, shows a sudden increase from 18,000 bales in 1847 to 55,000 in 1855 and 91,000 in 1856; while the heavy and unexpected demand in England induced a sharp rise in prices. The silk districts were nearer to Shanghai and still escaped the effects of the civil war, while the activity of the market was further promoted by the news of the peace with Russia in the spring of 1856. In the following year the trade collapsed, owing to the commercial depression in England; the total import of raw silk into the United Kingdom dropped from 12,000,000 lb. in 1857 to 6,000,000 in 1858, and China suffered heavily. Nor did the revival in the British demand bring any permanent relief to Shanghai. In 1860-2, while the rebels occupied the neighbourhood, the foreign export curiously enough increased, reaching 74,000 bales in 1861, owing to the fact that native consumption ceased, while every bale existing was at once turned into cash. But the destruction of the mulberry trees removed the basis of the industry, and though the Imperialists re-occupied the district in 1863-4, the export fell to the low-water-mark of 25,000 bales. There was no proper food for the worms and a large portion of the crop was lost in consequence. In 1854 China was still credited

with more than half our total supply of raw silk ; in 1864 her share was only a twelfth. There is thus a considerable contrast between the tea and silk trades in the last few years of the period : tea suffered less and recovered more readily from the dire effects of the civil war in China.

A civil war in another part of the world profoundly modified for a short period the conditions of the China trade. For a time China found a new export : instead of receiving raw cotton from India she sent a considerable quantity to the European market. This sudden premium on the cultivation of cotton was not without indirect results of importance later, but the most conspicuous disturbance is seen in the import trade. At Tientsin, in 1861, Manchester cottons were about half the price of native, and so were bought by the townspeople, although the agricultural population refused to abandon their domestic products. In 1863 the price of imported cottons had almost doubled and they were no longer able to compete with native goods. The result was a great decline in British imports, common to the whole of China, while American cottons had practically disappeared from the market. The revival in 1864 was only slight, and our total trade would have shown most depressing results but for the steady growth in the sale of woollens, not so much in the north, where they were unsuited in many ways to the extreme severity and variations of the weather, and had to face the competition of heavy Russian goods, but in the newly opened market of the Yangtse region and the interior, where they provided a substitute for the more expensive silk or transition clothing in spring and autumn between furs and silks.

A reference to the diagram (p. 132) will show that between 1834 and 1864 our export trade to China was marked by a series of successive waves of inflation and depression, with a marked tendency to dullness in the middle of the period. The sharp depression in 1854 may be traced in part to the effects of over-trading in a restricted market and the local disturbances in the Canton region, in part to the troubles in Europe; the remarkable recovery in the following years must be assigned to the hopes raised by the Treaty of Tientsin and the very real increase in the available doorways for our trade. The steady growth in the woollen imports is worth notice in this connexion. But cotton was the backbone of the trade and was almost entirely responsible for its larger fluctuations. The tendency on the part of the British trader to over-estimate throughout the capacity of the market seems to have been the chief cause of these unsatisfactory results, though political trouble in China in the latter part of the period contributed not a little to the general uncertainty of the trade.

The apparent course of British exports up to the Treaty of Tientsin is lower, as measured by values than by volume, owing to the considerable fall in prices which constituted the main ground of the demand for the revision of the specific duties in the tariff.

The import trade from China offers a remarkable contrast. The upward movement of tea and silk shows great steadiness to 1855, when the disquieting causes, already discussed, began to operate.

Opium experienced on the whole the smallest fluctuations between 1840 and 1857. Then we find, not merely fluctuations, but a distinct slowing down in

the rate of increase ; partly because the needs of the market were satisfied, partly owing to the increased production of the drug in China itself. There was, however, no proportionate increase in the import of treasure into India from China ; the amount was about the same in 1860 as in 1840. On the other hand, in the latter part of the period, there was a steady export of treasure from England to China, which may be estimated roughly at three millions sterling annually, between 1851 and 1860, while the import into India from China from 1841 to 1860 averaged only about two millions. Thus, from the Chinese point of view, the drain of silver was no longer an important factor in the opium question, and to this may be partly due the tacit acquiescence of the local officials in the continuance of the trade. Raw cotton, the other main element in the Indian export, pursued an uneventful course until 1864, when it disappeared from the Indo-Chinese trade, owing to the demands of the British market, deprived temporarily of its American supplies.

The year 1864 rather than 1860 has been taken as marking the end of a natural period, owing to the impossibility of isolating the results of the Treaty of Tientsin amid all the disturbing causes, European, Chinese and American, which accompanied or followed its negotiation. The only point clear is that the import trade would have been still more disappointing but for the outlet provided by the new markets opened in the Yangtse region and the north. The rebellion and the war with the Powers illustrate once more the essential local independence of the Chinese provinces, in commerce no less than in politics. Decrease in one direction is balanced by improvement in another ; the loss of a particular market often implies merely the

transference of its trade elsewhere. It is rather external events which affect China as a whole; even at this period the essential commercial unity of the whole world is amply demonstrated. A crisis in Europe is reflected in the business centres of China as soon as the news comes to hand. An estimate of the foreign trade of the treaty ports of China in 1864 will give some clue to the relative importance of the various Powers.

	Imports. Million £	Re-exports. Million £	Exports. Million £
Great Britain, Colonies, and Dependencies	17·0	—	16·5
Japan	0·6	1·0	0·1
U.S.A.	0·15	—	1·4
Sundry countries (including Continental Europe)	1·18	—	0·71
Chinese open ports (coast trade)	25·5	7·2	14·9
Treasure	8·9	—	9·6

Tael converted at 6/8.

Note.—The re-exports to Great Britain, U.S.A., and sundry countries are included in the exports.

A certain amount of the trade assigned to Great Britain and her colonies probably belongs to foreign countries, more particularly the United States; it comes in the statistical tables under the heading of trade with Hongkong. But a comparison of Indian and British statistics shows that the margin left for division among all foreign nations was extremely small. We shall not be far wrong in allocating upwards of 80% of the Chinese trade to the British Empire as a whole. More than half the total was credited to Shanghai; most of the remainder to Canton and the coast ports south of the Yangtse, though the northern ports showed signs of rapidly increasing their share. All the foreign banks but one, and three-fourths of the

large business houses at Shanghai, were British, the rest being divided between Germans, Americans, and French. The figures above illustrate the vast importance of the local coast trade of China, so that the shipping business had a twofold aspect, and the proportions were not the same as in the foreign trade in merchandise. The Americans were particularly active with steamers adapted to the river traffic, while the Germans were patronized by the Chinese for the convenience and economy of their small vessels in the coast trade.

	Number of vessels entered and cleared in foreign and coast trade.	Tonnage entered and cleared.
British	7,798	3,460,000
American	4,721	2,640,000
German and Danish . .	2,100	560,000
Chinese	574	30,000

The figures relate only to those vessels coming under the cognizance of the Imperial maritime customs at the treaty ports and take no account of the vast native junk trade, under the native customs at these and other ports.

The interest of the next period, 1865-85, lies in the commercial effects of the reforms inaugurated by the Treaty of Tientsin. There was much justification in past experience for pessimistic anticipations.

CHAPTER VI

THE INTERPRETATION OF THE TREATY AND THE CONVENTION OF 1869

THE history of the next few years is largely taken up with the difficulties incidental to the execution of the terms of the treaty. We must again revert to the attitude of the two parties—the Chinese officials and the foreign merchants. Between them, as a kind of umpire, stands the British ambassador; and behind all the two Governments, both of which were disposed for a time to settle their differences by diplomacy rather than by force.

The constitution of the Tsungli Yamen, or Board for Foreign Affairs, was an earnest of the good intentions of the Chinese moderate party represented by Prince Kung. From this time our representatives had to deal with a responsible and permanent body, in close contact with the Court, instead of a Provincial Viceroy or Imperial Commissioner with a large amount of independence. The Peking authorities could no longer be excused on the ground of ignorance. But this implied also a change of policy on the British side. Sir Frederick Bruce found it necessary to warn our Consular representatives and naval officers that local pressure could no longer be tolerated except in extreme cases; mere infractions of the treaty, as the exaction of unauthorized customs duties, were matters for diplomacy at Peking, not for coercion on the spot. So long as

the Peking Government refused to recognize foreign Powers, it was necessary to punish breaches of treaty by employing force against the immediate offenders; in consequence, foreigners had learnt to despise the Chinese Executive, and to consider that their security depended on its weakness. By the constitution of the Foreign Board it had recognized its obligations; our aim was now to strengthen the Executive, and to urge it to assert its authority over the local officials, and to undertake its proper responsibilities. In other words, we were attempting to induce the Chinese to adopt western ideas as to the subordination of local to central authority. In accord with this policy was the permission given to British subjects to enter the service of China. The scheme of Mr. Lay and Captain Osborn for the organization of a naval flotilla ended in failure, largely owing to the fact that they refused to recognize that they were merely servants of the Chinese Government, not independent allies. In other directions, however, the movement had important consequences for China and foreigners. The progress of the rebels was a most serious menace to foreign trade. We could not attempt to put down the rebellion on behalf of the Chinese Government, and the Taipings were not capable of forming a government of their own. As 'we neither sought territory, nor to promote by arms religious conversion', we had everything to gain and nothing to fear from a stronger Chinese Executive. The attempt to aid in the reorganization of the military forces of China was far less dangerous than the continuance of anarchy, and the dependence of the Chinese on our instructions would probably lead to better mutual relations. 'The weakness of China rather than her strength is likely

to create a fresh Eastern Question in these seas.¹ The British Government, in spite of the extravagant ideas of certain people, founded on the religious pretensions of the Taipings, agreed with the views of their representative. We must neither establish relations with the Taipings, nor attempt to put down the rebellion on behalf of the Chinese authorities.² 'The rational course for us to pursue is to defend our own trade, to protect the treaty ports, and to encourage the Chinese Government to arm a sufficient force . . . to overcome the rebels.'³

The question of the rebels had become acute, owing to the opening of the Yangtse River to foreign trade. The opening was an index to the reasonable disposition of Prince Kung and his party. It could not be demanded by treaty until the rebellion was extinguished; but of this there seemed to be little prospect, and the rebels occupied a large part of the river valley. The regulations were necessarily strict, but the admission of the foreigner to Kiukiang and Hankau was an undoubted concession on the part of the Chinese. There was not merely the probability of smuggling, but the danger of the foreigner supplying arms to the rebels. The danger was more than imaginary. In the summer of 1862, Bruce writes to Lord John Russell complaining of the great trade in arms and ammunition which are ultimately to be used by brigands and pirates against us, and proposes that the trade should be stopped at

¹ Bruce to Russell, March, 1862.

² The Taipings were partly recognized in the communication made to them by Commander Aplin, warning them not to interfere with British vessels and to give due notice if they were about to attack a place where British were settled. 1861.

³ Dispatch of Lord John Russell, July 7, 1862.

Singapore and Hongkong. Trade with Hankau grew rapidly in spite of the usual difficulties due to the opposition of the local officials. The conditions at Hankau were naturally different from those at Shanghai, where we had been established for twenty years, but the mercantile community did not make sufficient allowance for this fact; they were too eager to insist on what they imagined to be their rights. Thus the members of the Chamber of Commerce at Shanghai claimed that the whole river was open up to Hankau, and that the Chinese were trying to withdraw their just privileges.¹ They asserted also that the treaty gave a general right of residence in the interior, and that this had been denied them through the action of the British ambassador in refusing to allow them to buy and rent buildings. They based their case on a curious interpretation of Article XII, which will be discussed later. Apart altogether from the interpretation of the treaty, the demand for the opening of the whole river was unreasonable, as it could only have resulted in unlimited smuggling of arms for the benefit of the rebels. It had already been found necessary to close certain towns where foreigners had been well received, owing to the congregating of Europeans of bad character. A European Power would, under the circumstances, have prohibited entirely the presence of foreigners, and the general tenor of the treaty is entirely against the view that it contemplated the opening of the whole of China to the world.

¹ Bruce comments on this: 'It is very unjust to China to represent that it is trying to withdraw a privilege to which it never agreed, and which was assumed without its assent to it having been even asked.' Bruce to Russell, Nov. 22, 1862.

With more reason the foreign merchants complained that the provisions as to transit duties were defied by the local officials.

The provincial authorities were continually in need of resources to cope with the rebellion ; but a considerable portion of the transit duties collected at the ports went to the Imperial exchequer, or for the payment of the foreign indemnity. It was hardly to be expected that the local officials would willingly surrender this convenient source of revenue for the benefit of China as a whole, and the Imperial Government was unable, or unwilling, to apply coercion. The higher provincial officials were threatened with a serious loss of revenue, the lower with the loss of the opportunity of lining their own pockets. All was for the benefit of the foreigner. It is not surprising that complaints as to the total inefficiency of the transit system poured in on our ambassador. In some cases vigorous pressure led to the remedy of abuses, but, on the whole, the matter remained a most serious ground of complaint. The treaty could only be carried out by a revolution in Chinese methods of administration : such a revolution was not to be thought of at the moment. In the foreign customs department at the ports, the Central Government was less embarrassed by local opposition. With the aid of the foreigner the customs system was reformed on western lines, since native methods were inadequate for dealing with the complicated conditions introduced by the treaty.

The foreign Inspectorate, in its origin, affords an excellent illustration of the peculiarities of Chinese administration. It sprang from a local and temporary arrangement, without the interference of the central authority. In 1854, while the rebels occupied

Shanghai, the official customs system collapsed. It was revived to avoid anarchy, and to prevent the wealthy smuggling at the expense of the smaller dealers, with the proper native official at its head, but under the inspection of three foreigners nominated by the Consuls of the three Treaty Powers. From the first there was trouble with those who had calculated on taking advantage of the weakness of the native officials; and the trouble increased with the growing strictness of the administration. Under the Treaty of Tientsin the system was extended to other ports, and by 1864 the number of foreigners employed amounted to more than four hundred. With this extension the institution necessarily became more distinctively Chinese. It was impossible to appoint representatives of each Treaty Power at all the ports, so only one inspector was assigned to each port, and the British Government, as a matter of policy, withdrew from direct official interference with the appointments. The Inspector-General at first held office under the Imperial Commissioner for Foreign Affairs; but later was appointed directly by the Tsungli Yamen.

Reorganization, indeed, was greatly needed. Under the Treaty of Nanking, the British Consuls were to assist the Chinese in the enforcement of regulations; the only result of this was to penalize British subjects who were fined by their own Consuls for offences which other foreigners committed with impunity.¹ Unless

¹ Lord Elgin omitted in the Tientsin Treaty the clause in the Nanking Treaty regarding consular help in the collection of the revenue, and left the matter to China. Lord Clarendon had no objection to the foreign Inspectorate, but did not approve of the appointment by Consuls as this might imply British responsibility. Elgin to Layard, Feb. 1862.

China were to be ruled by a Committee of all the Powers, it was absurd to attempt to regulate from the outside her fiscal system. Control by foreigners would have implied foreign responsibility for smuggling and loss of revenue. The employment of foreign servants by China was a success from the point of view of finance, but great opposition was encountered both from Chinese officials and foreign merchants, and in the British Parliament.¹ The Chinese protested against the loss of revenue to the older offices through the introduction of the new body, while the linguists and others who represented the vested interests of the native system were equally opposed to the innovation. It was a case of the part suffering for the benefit of the whole; and the part did not appreciate the beauty of self-sacrifice. The foreign merchants were no less emphatic in their protests. Under the old system, the business was left to the Chinese linguist, or compradore, who settled the matter of duties by a private and informal bargain with a minor customs official. Sir Robert Hart estimated the cost of collection under this system at over 100 %; the system was rotten, but 'the easy manner in which business under it was transacted, leads to the inference that even those who felt the injury and reprobated the dishonesty, would be numbered with the opponents of a system in which honesty

¹ Bruce pointed out that the debates in Parliament showed that the customs question was imperfectly understood. In a single year the revenue at Shanghai was doubled, as the result of foreign help, and had increased steadily ever since, without taking account of opium which did not come under the foreign customs. The leading merchants were satisfied, as was proved by the letter of the Shanghai Chamber of Commerce to Lord Elgin. Bruce to Russell, Oct. 1860.

and strictness would entail inconveniences hitherto unknown, but yet unavoidable concomitants.'¹ The new inspectorate, on the other hand, dealt directly with the foreign merchant, and involved rules and formalities to which he was unaccustomed, and with which his staff was not calculated to deal. Examination of goods had been a mere farce; it was now enforced in spite of strong opposition and even violence, so that relations between the foreign inspectors and the merchants became distinctly strained. There were undoubtedly many undesirable individuals employed by the customs, and the crude methods of officials new to the work often provided legitimate cause for complaint; but the mercantile community cannot be entirely absolved from blame. The Hongkong Chamber of Commerce, in complaining of the despotic action of the customs department, accused the foreigners of finding flaws in the treaty for the benefit of their Chinese employers, while the action of the revenue cruisers was characterized as 'an organized plan of foreign violence'. Even our ambassador was attacked for giving direct sanction to evasions to the treaty! The Shanghai Chamber complained in similar terms, and associated itself in the attack. The Hongkong Chamber even proposed to render foreigners in Chinese employment amenable to action for damages in a consular court, though such action would really have been directed against the Chinese Government, and would have rendered the whole Chinese system impossible. It denied the right of the Chinese to seize and confiscate without the concurrence of a Consul, and referred with approval to former legal opinions and actions of the British Government which implied the

¹ Hart's Memorandum, 1864.

exclusion of China from the comity of nations. It maintained that smuggling was an offence only against the treaty, and not against Chinese revenue laws; that the observance or knowledge of these was not obligatory except in so far as they were recognized by treaty, and that British subjects therefore had the right to the judicial as well as the political action of the Consul. Criticism of the above views is hardly necessary; the legal advisers of the British Government had not the least doubt as to the right of the Chinese to act without a consular warrant.¹ Apart from the legal question, it is evident that if smuggling by British subjects were merely an offence against the treaty, the Chinese would have been quite justified in accusing us of a breach of the treaty if we neglected to suppress it. The British merchant found it hard to realize that there are two parties to an agreement; in fact, the Hongkong Chamber went so far as to maintain that British subjects had a right to the benefits of Chinese treaties with other nations without in the least being bound by their terms. The whole controversy illustrates the difficulty involved in the policy of recognizing China as a Sovereign Power in some respects, and refusing that recognition in others. It was inevitable that the British representatives and British merchants, as representing entirely different schools of thought, should differ widely on the question of the interpretation of treaty rights.

The tariff and commercial regulations of the Treaty of Tientsin were subject to revision at the end of a period of ten years. The question of revision afforded

¹ The Chinese authorities have power to confiscate both ship and cargo, and the Attorney-General of Hongkong and Consul Sinclair are both wrong. Russell to Bruce, June, 1863.

the mercantile community an opportunity for the formal expression of its grounds of complaint and an exposition of its views as to treaty rights. The general conditions of the problem were clearly sketched in a memorandum by Sir Rutherford Alcock. The internal administration of China was hopelessly corrupt: military and civil organization were in confusion: the Empire, without rail or telegraph, with its capital in the far north, was too vast for effective centralized government: the Emperor was a minor and the sovereign power in commission: there was little or nothing to be expected from the spontaneous effort of the Peking authorities. The Emperor alone could sanction drastic changes in Chinese laws and customs, and a minister who ventured on reform might lose his head when the Emperor attained his majority. Yet the internal disorder and corruption was a matter of intimate concern for the Powers as it affected the execution of the treaties. It was impossible for them to stand by inactive, yet drastic measures might end in a catastrophe. 'Treaties cannot alter national feeling or long-established customs, and are not, perhaps, the best instrument for effecting fundamental changes in either.' 'They have much to be proud of; much they may well be excused if they are loath to part with, at the sudden requisition of foreign Powers they have not yet learned to regard as other than barbarians and inferior; and such undoubtedly the foremost nations of Europe were, compared with them, only some three or four centuries ago.'

The foreign merchants were not disposed to display such tenderness for Chinese sentiments or prejudices. A series of memorials from Chambers of Commerce and individuals gives a complete summary of their

ideas and claims, often in no measured terms. The Shanghai Chamber admits that the treaty and the policy of diplomatic representation at Peking have had a certain measure of success; but the results would have been much better if the treaty had been more fully observed. It considers that the removal of the Taiping danger has encouraged officials in the assertion of anti-foreign reactionary views; and these views, with the anti-foreign reading of the treaty, have been to some extent upheld in influential quarters. The policy of foreign governments has been determined by expediency rather than by consideration of strict law. It claims the right of residence in any part of China under Article XII of the treaty, in spite of the different opinion of Her Majesty's Government. Without residence, the main object of the whole treaty, the penetration of foreign goods into the interior and the purchase of Chinese produce by foreigners at the place of growth, together with immunity from illegal taxation of every kind, is altogether nullified. A further object of criticism is the slow and inefficient action of diplomacy in the case of complaints by foreigners against the native authorities. In view of the denial of the right of residence, the most serious infraction of the treaty lies in the systematic exaction of duties largely in excess of those authorized by the tariff. The Chinese must be allowed to tax their own subjects as they think fit; but in regard to foreign commerce, that power is limited and defined by treaty. Finally, the provisions as to the settlement of disputes between natives and foreigners are not of the slightest value; the native generally escapes, especially at the minor ports.¹ In the matter of civil procedure, as the Chinese

¹ This view had strong official support. 'The clause in the

have no recognized basis of civil law, but commercial disputes are settled by the gilds or by arbitration, there is need for a joint tribunal, not a court guided by so-called Chinese rules. The French and Prussian treaties both stipulate for the consent of a Consul before fine or confiscation is enforced. In regard to the tariff, no great modification is required, since prices are returning to their normal level. The memorial concludes with a general complaint that breaches of the treaty by foreigners are punished at once by the authority of their government; while demands against Chinese for redress are treated by diplomacy which has more regard for upholding the dignity and prestige of the Peking Government than the spirit of the treaty or the claims of justice.

Other memorials are of similar character; but one or two special points are worthy of notice. From Amoy and Fuchau we hear a great deal about the evil results of a new form of tax, the Likin. It seems to be regarded as on a par with the transit duty and therefore as prohibited by treaty. We shall hear again of this tax; it looms as large as transit dues in later documents. The Hongkong Chamber suggested that we should abandon the plan of reference to Peking and resort to the old method of local pressure. The prestige of the Consuls should be restored and their power increased 'by the occasional display, if not employment, of more than moral force', when dealing with local officials. The missionaries, too, were among the memorialists: they advanced their claims under Article VI of the Convention between France and

Nanking Treaty providing for the recovery of debts from the Chinese has been, from the commencement, a dead letter.' Bruce to Russell, April 7, 1860.

China (October, 1860), on the basis of the most-favoured-nation treatment. Another problem was thus added to those which beset the path of our unhappy representatives.

The grievances of the memorialists were not without solid foundation. The complaints of the different communities and individuals show on the whole a striking unanimity, and their general justice was admitted by British officials in China. Unfortunately, the merchants damaged their own case in the eyes of the British Government and the Chinese officials. They showed a strong tendency to represent every abuse, of whatever kind, as an offence against the treaty; in the face of the authorities, they insisted on the most extraordinary interpretation of some of its clauses; their sweeping proposals amounted to a demand for an entirely new treaty, and proved either a great ignorance of the difficulties in the path, or an unbounded contempt for the ideas and sentiments of the Chinese. The tone of their memorials and the extravagance of their claims added not a little to the difficulties of the negotiation undertaken by our representatives. A detailed examination of the more important claims is the best criticism of the policy of the merchants and the charge of bad faith preferred against the Imperial Government.

The right of residence in any part of China was inferred from the phraseology of Article XII of the treaty. The article was intended to secure to the foreigner the privilege of buying or renting land or buildings at the ports without being subject to excessive charges; it was the corollary of the previous article which opens the new ports to trade. The opening of new ports in limited number, the restrictions as to the

Yangtse, the careful regulations as to passports and the right of travel, are, to the casual observer, certain definite relaxations of an otherwise complete prohibition. If the whole of China were to be thrown open, there would be no need for special clauses dealing with particular districts. At any rate, a right of such supreme importance might reasonably claim a special article or clause for its expression. There is no such article in the treaty: but Article XII contains the magic phrase, 'at the ports or at other places.' On these four words, in a treaty of considerable length and comprising over fifty articles, the British merchants founded their demand for complete freedom of residence throughout the length and breadth of China. The explanation of the phrase was supplied by Sir Thomas Wade who, as secretary to Lord Elgin, was responsible for its insertion in the treaty. It was merely intended to get over the difficulty caused by a too rigid interpretation by hostile officials of the term 'port'; its application was purely local. In spite of the definite statements of the British and Chinese Governments and the British ambassador, many of the merchants refused to abandon their interpretation of this clause. They also supported their case by the statement that the right of residence was already possessed by Russia and was therefore ours under the most-favoured-nation clause. The Russian treaty knows nothing of a general right of residence; it is granted only for certain places, as Urga and Kashgar, which were, in reality, not under Chinese authority. The few Russian merchants resident in China adopted native dress and language and did not claim extra-territorial privileges. To such residence the Chinese had no objection, but it was not the type of residence

contemplated by the British merchant. It is not difficult to appreciate the fact that the foreign merchant, as interpreter of treaties, failed to impress his own government, while his extraordinary demands and proposals, so far from inspiring confidence, contributed to increase that distrust of foreigners which was only too well grounded in Chinese experience.

Our ambassador was assailed and strongly criticized because he ventured to differ from the merchants in this matter of interpretation. 'Removed from contact with foreign merchants, and the influence of public opinion, the Foreign Ministers become, in a measure, advocates of Chinese exclusiveness.'¹ The real crime of these ministers consisted in the fact that they, together with their governments, ventured to interpret their own treaties, instead of relying on the amateurs of the press and the counting-house.

The question of inland duties offered a wide field for misapprehension of the scope of the treaty. The treaty articles dealing with the system of transit passes were utterly ineffective; on this point all parties were agreed. 'It is unquestionably true', says one of our Consuls, 'that there has been a continuous, permanent, and, in the main, successful attempt to evade the fulfilment of the article.' The memorialists were quite justified in putting forward this grievance in the strongest terms; they were at fault in assigning the attitude of foreign Consuls and ministers as the cause of the non-fulfilment of their obligations by the Chinese. Behind all their complaints and proposals was a false assumption as to the character of Chinese administration. The Peking Government was regarded as a

¹ Circular of Shanghai Chamber of Commerce to English Chambers.

powerful centralized machine, with full control over the provinces and a homogeneous system of finance. It was nothing of the kind. It had neither the power nor the will to coerce the powerful rulers of the provinces, in the face of the united opposition of Chinese of all classes.¹ A high official had almost unlimited authority and responsibility, and was free from interference so long as he preserved order in his province and remitted the customary tribute to Peking. In the case of trouble caused by misgovernment, the Imperial Government might intervene, with unpleasant consequences to all parties. Stringent measures were likely to result in anarchy. Nothing short of a revolution in Chinese finance could make the provisions as to transit effective, and the Shanghai Chamber so far recognized the clash of imperial and local interests as to suggest that the duties should be levied on the spot where the goods were bought or sold, instead of by the maritime customs. But the admission of real lack of power on the part of the Peking Government could not have been made consistently with the new policy of diplomatic intercourse and settlement of difficulties through the central board. The admission was unnecessary; a far better excuse was ready to hand. The foreigners, on the evidence of their own officials, were guilty of misusing their privileges. At Ningpo, the native officials were disposed to carry out the arrangement as to passes; the result was remarkable. The export of cotton was trifling, yet the entire produce of

¹ Though a special commissioner for commercial questions had been appointed under the treaty, Bruce had little doubt that his functions were mainly to discuss general questions; and that the provincial authorities were still responsible for such matters as justice to foreigners. Bruce to Russell, April 7, 1860.

the interior came down under pass, as for export. The sale of transit passes became a regular business, and even the Chambers of Commerce were chary of condemning the practice. In the words of the Commissioner of Customs at Ningpo :—‘ In the one province where the system was carried out in good faith by the authorities there grew up a traffic in transit passes by foreigners, every step of which was a deliberate fraud.’ Again, ‘ It is lowering to the honour of foreign governments to have privileges, extorted in the name of justice, abused for the private benefit of a few individuals.’ It is impossible to gauge the extent of this traffic, but its admitted existence afforded the Chinese good ground for vexatious interference with all so-called foreign goods in transit. None the less, though excuses may be put forward on behalf of the Chinese, there is not the least doubt that the exaction of duties on goods in transit, after commutation by payment at the port, was a breach of one of the most important articles of the treaty ; in fact, it was the negation of the central idea of the treaty on the side of commerce.

Another grievance, destined to overshadow even the transit question, comes to the fore in these memorials. The exaction of *Likin* is generally treated by the memorialists as an offence against the treaty. They refer to Article XXVIII and Rule 7, both of which deal with transit duties. So the identity of *Likin* and transit duty is evidently assumed. The two supports of Chinese local finance were the land-tax and taxes on trade. The yield of the former was reduced by the devastation of the rebellion, so trade was bound to bear a heavier burden. The *Likin* was a forced contribution or ‘benevolence’ extracted from the mercantile community; it was elastic in character and might take

the form of dues in transit or a terminal tax on goods which had passed into native hands. It was levied even within the area of the treaty ports. The tax was a puzzle to the foreigner, and there was some ground for the confusion between the two types of duty. The protests of the merchants were the more vigorous in that they gave a wider interpretation to the treaty than was contemplated by the diplomatists. The regulations as to transit undoubtedly imposed a limit on the taxing power of the Imperial Government, and were thoroughly disliked by the Chinese for that reason; but that limit only applied to goods *in transitu*, as Lord Elgin apparently did not see his way to protect the goods once they had reached their destination and passed into the hands of the Chinese buyer.¹ It is true that he did not contemplate the present weight of taxation, but it is hard to see what measures could have been adopted. To free foreign goods from all taxation would have been to grant the foreigner an extraordinary preference over the native producer or trader; a preference such as this was certainly not contemplated by the British Government of the time. In the opinion of Sir Thomas Wade the Likin would be necessary for many years to come, and we had no more ground for objection than to our own income-tax. If we forced the Chinese to abandon the tax, they would of course merely transfer it to some other denomination. This could easily be done in view of our total ignorance as to the real incidence of taxation in the interior. As late as 1858, when communication between Shanghai and Hankau was interrupted for five years, Elgin found British goods selling at

¹ 'Lord Elgin, I am certain, did not look for more than the protection *in transitu* of certificated goods.' Wade's Memorandum.

Hankau at prices which did not bear out the statements of Chinese at Shanghai as to the onerous character of the duties. In fact, there are limits beyond which protection by treaty, or even force, cannot be effective, and the foreigner was helpless in the hands of his native agents. The attempt to interfere between the official and the native consumer could hardly succeed; it was with the greatest difficulty that the foreigner in person secured even a small portion of the privileges extorted by the treaty. The abolition of Likin and transit duties, without the consent of the official classes, could only be accomplished if the Powers were prepared to take over the administration of the whole Chinese Empire.

The question of the right of inland navigation in British vessels brought to light the usual difference of opinion: the merchants considered that the right was theirs by treaty; the British Government could find no warrant for this view either in the treaty or in the conventions of international law. So, throughout clause after clause of the treaty, there was a tendency on the part of the mercantile community to read their own desires into the text, to the entire neglect both of the ordinary canons of interpretation and of the official opinions of the Governments concerned. Their memorials had the worst effect on the attitude of the Chinese officials.¹

The revision of the treaty was bound to prove a

¹ 'Whatever basis of justice there may be in the complaints of the merchants, they have too plainly shown that they have no regard or consideration for either the rights or the interests of others; and the Chinese have a perfectly clear conception that the country has both sovereign rights and national interests which it is their business to uphold, whatever foreigners may think or say to the contrary.' Alcock to Stanley, April 16, 1868.

thankless task for the negotiator. It was impossible to satisfy claims which were either based on a misapprehension of the treaties or took no account of the practical difficulties involved in a rigid insistence on our rights. The extravagant demands of the merchants merely reinforced the Chinese objection to any measure savouring of foreign interference, and proposals involving such interference, useful though they might be to China, were foredoomed to rejection.¹ The British Government had definitely adopted the policy of non-interference. 'Her Majesty's Government neither wish nor have they the right to impose sacrifices on China, even though they may be convinced that the inconvenience of such sacrifices will be only temporary, whereas the benefit which will result from them will be lasting.'² Alcock was of opinion that nothing short of a formal disclaimer (in similar terms) on the part of all the Powers would remove this the greatest of all obstacles to progress in China.

The fact that China was in this instance to be treated as a sovereign Power, instead of a conquered enemy, was not favourable to the success of extreme proposals. Revision could hardly be interpreted to mean concessions on one side only; that is not the usual course of negotiations between equals. Any alteration in principle, any wide extension of privileges, could only be obtained with the goodwill and free consent of Chinese officials. This consent was hardly to be expected in

¹ 'To keep as clear as possible of all foreign governments is a very natural desire on the part of those who have thrice in a single generation had objectionable treaties imposed on them at the point of the bayonet, and are still in constant conflict with foreign ministers and consuls about their execution.' Alcock to Stanley, Jan. 1, 1868.

² Stanley to Alcock, Aug. 16, 1867.

the existing state of Chinese feeling and the uncertain political conditions of China. The English Board of Trade, reporting on the question, was convinced that without force no larger concessions could be obtained at present; our position in China had been created by naked physical force, and any attempt to maintain or improve it must mean force, latent or expressed. But the sacrifices for this object fell on the British nation, and not on that section of it engaged in trade with China; hence it was advisable to consolidate what was already gained, and for the future to trust to patient negotiation and the moral influence of civilized nations, and the results of 'the concerted action and co-operation of all the Treaty Powers'.¹ The British Government and Alcock concurred in this view, and the foreign representatives generally agreed as to the necessity of caution. The discussions as to revision brought to light the cardinal points of Chinese policy.

These were—the total prohibition of opium, the restriction of missionaries from inland residence, and the abolition of the principle of extra-territoriality. They amounted to the recovery of the greater part of that liberty which had been wrested from the Court of Peking in the various treaties, and so naturally had a permanent place in Chinese policy. The Chinese desired a great deal and were prepared to make some concessions; the foreign merchants demanded the most sweeping changes, but were not disposed to concede

¹ Bruce had warned Kung that where the general rights were infringed in the person of any foreigner, all the Treaty Powers would make common cause. 'I need not point out to your lordship the good effects which will result from the recognition of the principle of joint action in China.' Bruce to Russell, June, 1863. This optimism was destined to be moderated in the near future.

anything. The Convention, signed provisionally by Alcock on October 23, 1869, represented the attempt at a compromise resulting from the deliberations of a mixed Commission, aided by a twelvemonth of diplomatic pressure.

The first Article embodied the principle without which no voluntary revision was to be expected from the Chinese Government. 'China having agreed that British subjects shall participate in all advantages accorded by treaty to the subjects of other Powers, it is further agreed that British subjects desiring to participate in the advantages accorded by treaty to the subjects of other Powers, shall participate in such advantages on the same conditions on which they have been accorded to, and are participated in, by the subjects of such other Powers.' The clause was a somewhat clumsy attempt to secure to China the ordinary benefits of independent negotiation. Hitherto, concessions had been extorted by force or as a punishment; no corresponding privileges had been granted in return. The 'most-favoured-nation' clause in the various treaties merely expressed the intention of the Treaty Powers to insist on participation in any benefits extorted, on whatever excuse, by any one of them. France had always refused in principle to be bound by any conditions attached to concessions made to other Powers, while claiming all advantages under the most-favoured-nation clause. It is evident that if China henceforward were to be granted freedom of negotiation, some means must be found of procuring the assent of all the Powers to any changes in her favour. The difficulty had already arisen to the marked disadvantage of China. Under the Treaty of Nanking the British Consuls aided the Chinese in the protection of

their revenue; the policy was not followed by other Powers, so that British subjects were penalized, and it was found necessary to abandon the principle. In fact, it was formally recognized that the present Convention could only take effect by common consent of the Powers.

Each Treaty Power had thus, in practice, a veto on the arrangements of every other, and the prospect was not promising. 'It is also understood that effect shall not be given to the several Articles except with mutual consent, until a common understanding with the other Treaty Powers has been come to, that their respective subjects, in becoming entitled to the rights and advantages therein conceded to British subjects, shall in like manner as these be bound by the conditions thereto attaching.' But the clause was a self-denying ordinance on the part of Great Britain which might be used to her serious disadvantage. It was pertinently remarked by the London merchants that, in the future, some Power not friendly to our interests might conclude a treaty to the conditions of which we should be tied by our own declaration if we wished to take advantage of the benefits. It might be arranged, for instance, that there should be no export duty on silk and a double duty on tea by way of compensation; or a non-commercial Power might obtain an audience of the Emperor at the price of the abandonment of the opening of the Yangtse. In either case we should be compelled in the interests of our commerce to forgo the benefits proposed. The clause as it stood was impossible, and the British Government admitted that it required modification or omission.

The third clause, with the rules attached, contained an important concession to British manufacturing

interests. Cottons, linens, and woollens imported by British merchants 'shall pay both import duty and transit due simultaneously at the time of importation'. 'China agrees that the above-mentioned commodities . . . shall be exempt from all other taxes and charges whatsoever, in treaty port provinces.' The intention of this was that throughout about half of China the scheduled goods should circulate freely, irrespective of ownership, and without being subject to Likin or any local or municipal tax whatever. In return the commutation duty of $2\frac{1}{2}\%$ was to be compulsory instead of optional.¹ This arrangement was, moreover, calculated to do away, to some extent, with the scandalous sale of transit passes to native dealers. But the proposed change met with almost unanimous disapproval on the part of the mercantile community both in China and at home. The gravest doubts were expressed as to the honesty of the intentions of the Chinese Government. It was feared that the compulsory $2\frac{1}{2}\%$ would be merely an additional impost, as the Chinese would not carry out their part of the bargain. The Shanghai Chamber considered that the enforcement of the new treaty would entail a revolution in the financial methods of China: it omitted to observe that the enforcement of the existing treaty implied an even greater revolution. Yet the scheme was not the work of alien envoys, intent only on the interests of their nationals; it had been evolved in part by the natives themselves. The arrangements were calculated to abolish to a large extent the clash between imperial

¹ Bruce had already made it a rule that if a British subject bought goods in the interior, and wished for the privileges of British protection, he must take out a transit-duty certificate. He thus interpreted Art. XXVIII and Rule 7. Bruce to Russell, Dec., 1862.

and local interests, in the matter of revenue, while the British ambassador and his Government were satisfied that every possible guarantee was offered for the due execution of the agreement.¹ The foreign merchants, relying on past experience, refused any confidence in the professions of the Chinese; but without a certain modicum of confidence no treaty whatever can be negotiated. The alternative, as they openly confessed, was coercion pure and simple.

Another type of objection involved the interpretation of the existing treaties. The criticisms of the system of transit passes applied partly to the character of the protection supposed to be guaranteed by the treaties, partly to the extent of that protection. The neglect to distinguish between these two aspects of the question led to great confusion in the protests of the memorialists. The Shanghai Chamber maintained that the exemption was intended to apply to foreign goods, as such, regardless of immediate ownership. It strongly objected to the official view that the sale of transit passes to Chinese was a 'fraudulent evasion of legitimate duties'. It expressed the view that while the false declaration might be regretted on grounds of strict morality, it was no breach of obligations towards the Chinese Government, and that the real responsibility lay with those who refused to carry out the treaty. In the matter of imports the case was sound; Article X of the Treaty of Nanking, re-affirmed by the Treaty of Tientsin, provides for the conveyance of British merchandise under

¹ 'Collectively they form as complete a guarantee as any treaty with an Eastern Power can well be susceptible of, apart from military occupation and other coercive means.' Alcock's Circular to the Chambers of Commerce.

transit pass by Chinese merchants. But there is no mention of exports. The Treaty of Tientsin only seems to apply, in the matter of exports, to Chinese produce purchased by British subjects in the interior. The treaty was doubtless evaded as to imports, but this did not justify the claim that all produce, by whomsoever owned, coming down to a treaty port might claim exemption. The Chamber also expressed a doubt as to how far Chinese produce, intended for the coasting trade or for sale on the spot, was contemplated in the treaty; though it is hard to find, in the terms of the document, any justification for such uncertainty. According to this view, all produce coming to a treaty port would be exempt from the Chinese system of taxation and from any contribution to the local revenues. It was admitted that the system of passes was disliked by all classes in China as an exclusive foreign privilege; the proposal to extend this privilege to all Chinese merchants on special routes was not calculated to appeal to the local officials; it was regarded, rightly, as an unwarrantable attempt to interfere in the methods of local administration. The sale of passes was an underhand method of accomplishing this end, and provided the Chinese with a legitimate excuse for interfering with the whole system of passes on the plea of Chinese ownership of goods. The Convention proposed to free certain classes of goods in the treaty port provinces, irrespective of ownership; thus avoiding a perennial source of trouble with the provincial authorities.

The memorialists were more particularly concerned with the limits of the protection afforded by the passes. They admitted that the whole system was a failure: it was a restriction on the sovereign power of the

Emperor in the matter of taxation, and was entirely opposed to the deeply-rooted principles of local administration in China; but at the same time they claimed a wide extension of the principle of exemption. They insisted that it applied to all inland taxation whatever, even after the goods had left the hands of the foreigner. The whole question hinged on the interpretation of the phrase, 'all inland charges whatsoever.' On this question, Sir Frederick Bruce, Sir Thomas Wade, and Sir Rutherford Alcock, with the Chinese and British Governments, were in entire agreement.¹

According to Alcock, 'Both at the port and at the internal market, when once the goods have passed out of his (the foreigner's) hands, they are liable to bear whatever taxes or duties the Chinese administration may see fit to levy on them in common with similar goods of Chinese origin.' Lord Clarendon was equally clear on the matter of law; he added, on the question of policy, that even were the Government in agreement with the merchants as to the interpretation, the Chinese were unable, even if willing, and we were unwilling, even if able, to enforce the principle. He further referred to 'the long-continued misapprehension of treaty rights, shared in some respects by Her Majesty's representatives in China.' The London merchants had illustrated their contentions from the Cobden treaty with France:² he pointed out that

¹ The merchants have persistently maintained with regard to Article XXVIII and Rule 7 of the Treaty of Tientsin, 'an interpretation distinctly and authoritatively repudiated by the only competent authorities in such a matter—the two high contracting parties, the British and Chinese Governments.' Circular of Sir R. Alcock.

² 'What would have been said if, immediately after the conclusion of the Cobden treaty with France, the French Government

'neither in the French treaty, nor in any other treaty concluded by Her Majesty's Government with an independent Power, has it been attempted to interfere with the right of internal municipal taxation.' The only stipulation was that there should be no differentiation between French and British goods in internal taxation. On the other hand, the special privileges granted to foreign merchandise and foreign subjects, under the two treaties with China, 'are such as could not have been proposed to a Power with which we were treating on equal terms.' Had the merchants confined their attention to proving differential treatment by the Chinese, instead of posing as interpreters of treaties, they might have found a far stronger case to present.

Clause IV of the Convention dealt with exports. Native produce, brought down by British merchants, was to pay all the usual inland charges in transit, but the amount in excess of the transit duties would be refunded by the customs, if the goods were exported within a twelvemonth. This provision would have been of advantage to both sides; Chinese officials would have been gratified by the abolition of all illegal dealing in passes, while the foreign merchant would have enjoyed efficient and automatic protection from unauthorized exactions. It is somewhat noteworthy that the memorialists hardly seemed to be conscious of the existence of this section of the Convention. Had they proceeded to place a tax, not upon English goods, but upon those who traded in them; or what would have been thought if, in the British Parliament, a poll tax had been voted upon all persons who dealt in French wares? It is scarcely to be imagined that such ill-faith would have been tolerated; and yet it is what we are submitting to in China to this day.' The London merchants, quoting the Shanghai Chamber.

vention ; perhaps they were too intent on their special grievances to pay much regard to the Chinese point of view. At any rate, they showed no very strong desire for the eradication of the evils inevitably connected with the transit system.

The third point of importance was the regulation of inland residence. Foreign merchants were to be allowed to rent buildings in the interior, for short periods, for the storage of goods ; but they must not ' exhibit their Hong name or the style of their firm '. It was thought that this concession, in conjunction with the permission to travel in their own vessels, would secure to the merchants all the benefits likely to accrue from inland residence proper. The memorialists replied that the Convention restricted rather than extended the provisions of the Treaty of Tientsin in this respect. The restriction is hard to find ; in fact it is non-existent. The merchants were still harping on their peculiar interpretation of the phrase, ' or at other places,' in Article XII of the treaty. The further discussion of this point is superfluous.

The fourth and final proposal of importance was concerned with jurisdiction. A clause giving the Consul concurrent jurisdiction with Chinese customs officials, in the case of breaches of customs regulations, was intended to give further sanction to the principle of joint investigation already recognized. Even in this case the merchants were disposed to cavil, though they admitted that it was to some extent an improvement. Minor concessions were received in the same spirit ; there was an evident disposition to minimize their value, or to represent them as no concessions at all. The unfavourable reception accorded to the new privileges offered by the Chinese prepares us for the strong

protests against any concession on the part of Great Britain. The Convention was a bargain ; the Chinese were not disposed to give everything for nothing. Article II gave them the right to appoint Consuls at British ports. This was merely to grant, as our ambassador observed, the plainest of international rights to China ; but the proposal aroused the most violent opposition. It was condemned by the London merchants and even more so by the community at Hongkong. The real business of a Chinese officer at Hongkong would have been to take measures for the suppression of smuggling, of which the island was notoriously the chief centre. But all kinds of evils were prophesied from his interference with Chinese subjects whose families were in the grip of the officials on the mainland. It is a natural conclusion that an unpleasant consciousness of guilt was partly the cause of these fears. It was impossible to deny the justice of the claim, in theory, at any rate, without subscribing to the view expressed by the Chairman of the Hongkong Chamber. 'China', he writes, 'can in no sense be considered as a country entitled to all the same rights and privileges as civilized nations, which are bound by international law.' This merely expresses the actual policy of the Powers with regard to extra-territoriality ; but the situation was complicated by the fact that we were attempting to grant to China some portion of those rights. It was clearly impossible to treat the Chinese on the same lines as the African savage, even in the interest of British trade.

The other terms of the bargain were concerned with the tariff. It was proposed to raise the duty on opium in return for the concessions as to travel in British

vessels, as to bonded warehouses, and as to the opening of coal-mines in the south. The case of opium was clearly and shortly summed up by Alcock: 'The merchants complain of an increase of 3 % or 5 % on an article of luxury, but very moderately taxed, to the admission of which in the tariff, on any terms, the Government and all the ruling classes in China strongly object.' The merchants, in opposing the increase, must be prepared to maintain the right of foreigners to compel the Chinese to admit it; some of them undoubtedly were prepared to go to this length. A member of one well-known firm justified the trade on the curious ground that 'since 1860 it has been rendered abundantly clear that the use of opium is not a curse but a comfort and a benefit to the hard-working Chinese. As well say that malt is a curse to the English labourer!' As to the increase in the export duty on silk, a leading merchant, not distinguished for the moderation of his views, admitted that there was need for readjustment, but maintained that the process should be general.¹ It was true that, at the existing price of silk, the duty was below the 5 % aimed at in the treaty; but that on tea was much higher, owing to the fall in price. According to the official estimate the increase would amount to less than 2 %; the most pessimistic calculations of the merchants put it at less than 4 %. It was pertinently noted by our ambassador

¹ There were objections to a uniform 5 % tariff, owing to the conflicting interests of the various Powers; the tariff was the one serious point of difference. Germany intended to take advantage of the British negotiations, but would not renounce her independent right to revision in 1872. Baron Rehfues, on Alcock's proposals.

that the Chinese tariff, compared to those of European countries, was practically free trade; and Lord Clarendon was of opinion that the proposed increase on silk could not have been opposed by us, even if insisted on irrespective of concessions. As no term was fixed for future revision, it would always be open to us to claim an equitable reduction of the duty, if the price of silk declined. The whole Convention was an experiment, proposed by the Chinese themselves; we could always fall back on the original treaty if they did not observe the terms of the bargain. But the distrust of diplomatic methods, and of Chinese policy, so deeply rooted in the minds of the mercantile classes, was not to be overcome. The Hongkong Chamber well illustrates their attitude in its reference to the Chinese diplomatic mission to the Powers. The object of this mission was partly to disabuse the western Powers of the notion that China was retrograde, partly to deprecate pressure on the Chinese Government with a view to forcing it to enter precipitately on a new policy, 'which would severely affect her independence.' Lord Clarendon, commenting on this, disclaimed all idea of pressure, but insisted that the treaties must be observed, and pointed out that a friendly attitude was best for China herself. The Central Government was the treaty-making power, and must assume full responsibility for local matters if the old method of local pressure was to be abandoned. Yet, according to the Chamber, 'All who are conversant with China regard Mr. Burlinghame's mission as suspicious in its origin, mischievous in its progress, and likely to prove in its results disastrous to all countries connected for commercial purposes with China.' The need of the moment in their opinion

is not diplomacy, but a determined and energetic policy.

The merchants were desirous of sweeping changes ; they expected much, and were unwilling to give anything in return ; the Chinese also had great changes in view, but certainly showed a more yielding disposition. The British Government, after considerable hesitation, decided, in view of the opposition of the merchants, not to ratify the Convention. The merchants deliberately preferred the existing unsatisfactory state of affairs, and the responsibility must rest with them ; though it is very doubtful, to judge from the attitude of the foreign representatives, whether the tariff changes would have met with universal acceptance from the Treaty Powers. The Chinese had reasonable ground of complaint, and it was only to be expected that the failure of the negotiations should strengthen the party opposed to all intercourse with the foreigner.

The foreign ministers also regarded the concessions as unsatisfactory ; residence, steamers, and railways were essential to any real progress ; but the policy of excluding the foreigner, as a condition of safety, was still as deeply rooted in the Chinese mind as in the time of Lord Napier. Alcock thus briefly sums up the whole problem : 'The practical question has not been solved by my colleagues as to how western ideas are to be forced on China ; if no other means be contemplated than persistence in demands for larger and more satisfactory concessions, and these in the end fail, what remains to be done, and what course shall be followed ?' Mr. Browne has raised the philosophical question as to 'how far civilization has a right to go in imposing its principles and agencies on

nations supposed to be less favoured than others'; the alternative to a policy of compromise is war. 'Both change and progress may be initiated by force, but neither can be carried beyond a certain point without danger of disintegration.' The Powers may do incalculable damage in the attempt.

CHAPTER VII

FROM THE MASSACRE AT TIENTSIN TO THE CHIFU CONVENTION

THE negotiations for the revision of the treaty afforded evidence of a more reasonable disposition on the part of a section of the Peking officials in their dealings with foreigners. The mission of Mr. Burlingame to the western Powers was a further proof that the Chinese Government was beginning to realize that the policy of rigid isolation could be no longer entertained with safety. In spite of the check to the peace party occasioned by the rejection of the Convention, the policy of diplomatic negotiation and non-interference with the internal affairs of China, proclaimed by the British and American Governments, held out some promise of improved relations, political and commercial. The Peking Government, however, and the Chinese people were far from being equivalent terms. The massacre at Tientsin, in 1870, proved that the problem raised by the inveterate differences between central and local authorities had not been solved by the adoption of the new diplomacy. The outbreak was of the usual character. The mob, anti-foreign in sentiment, eager for plunder and roused to frenzy by the circulation of malicious charges against the Roman Catholic missionaries, indulged in wholesale murder and pillage. The inaction and indifference of the local officials gave some colour to the charge that they had encouraged by

their sympathy, even if they had not deliberately incited the rioters. The unwise conduct of the French Consul may have precipitated the trouble, but the real basis was the belief of the mob, shared to some extent by the educated classes, that in addition to various practices offensive to Chinese sentiment, murder and witchcraft were included in the work of the foreign missions. Unfortunately, the methods of the Roman Catholic missions rendered their motives and actions peculiarly liable to absurd and malicious misrepresentation. The massacre was the immediate concern of France; but the attitude of the British Government was significant. Lord Granville, in a dispatch to our Ambassador at Peking, stated that Her Majesty's Government would give moral support to all reasonable demands on the part of France, but 'they cannot conceal from themselves that the calamity has been the result of a system which they have always deprecated as dangerous and impolitic'. British policy had tended to discountenance the excessive zeal of missionaries, while, in consequence of the attitude adopted by France, the time of her representative was largely occupied in the settlement of religious disputes.

The massacre at Tientsin figures largely in history, but it was merely one of a long series of troubles which illustrate the difficulties of our diplomatists in carrying on their chief work, the development and improvement of commercial relations, in the face of the claims and actions of individuals with special interests. So far as the nineteenth century is concerned, the missionary question, in an acute form, may be said to date from 1860. Article VIII of the Treaty of Tientsin states that 'the Christian religion, as professed by Protestants or Roman Catholics, inculcates the practice of

virtue, . . . Persons teaching or professing it therefore shall alike be entitled to the protection of the Chinese authorities, nor shall any such, peacefully pursuing their calling, and not offending against the law, be persecuted or interfered with.' The concession was granted only as a matter of political expediency. In a conversation with certain members of the missionary body, in 1858, at the time of the negotiation of the American treaty, a Chinese Commissioner was perfectly frank. 'I freely confess', he said, 'it was the intention of the Emperor to proscribe Christianity; but it has now pleased His Majesty to grant toleration, out of regard for the four great Powers who are asking for it'.¹ The ground of the Chinese objection to missionary activity was not by any means purely religious. A high Chinese functionary, shortly after the signature of the treaty, put forward the view that political designs were behind the plans of the missionaries. 'As to the propagation of religion, its object is to unsettle the public mind and secretly effect a revolution. If such were not the case they would be satisfied with practising their faith in their own country. They bestow charity upon the poor as a stratagem for winning the hearts of the people. These rebellious barbarians, in swallowing up the lesser Powers, have always made use of these agencies.' That the idea was not without some foundation is abundantly evident from the dispatches of our own representatives. As a consequence of their fears, and in spite of

¹ So Bruce described the theory, put forward by a member of the missionary body, that the Chinese were reconciled to the new policy, as 'a delusion which recent official publications and events have dispelled, and one which I am surprised to learn so intelligent a person entertained'. Bruce to Russell, Feb. 18, 1860.

the terms of the treaty, various provincial authorities fell back on the old laws decreeing death and banishment against the preachers and professors of Christianity. The mob might be concerned with the question of virtue; the officials were naturally far more troubled at the prospect of political disturbance and further excuses for foreign interference. An attitude of unfriendly neutrality on their part was to be expected. The mob was often led by the local gentry and the educated classes, and attempts at rigorous repression might lead to accusations of 'traitorous connexion with foreigners', or even to violence directed against the person of the too energetic official.

There is a great similarity in the records of the various disturbances. The mob, incited by the literati, attacks the mission; the missionaries promptly apply for consular protection; demands for reparation are made and backed up by the threat or the employment of force, sometimes without reference to the higher authorities. Even personal reprisals against high Chinese officials are not unknown.¹ Such drastic local measures were not infrequently successful, but they could hardly meet with the approval of the British Government. 'Her Majesty's Government', says Lord Clarendon, 'cannot delegate to Her Majesty's servants in foreign countries the power of involving their own country in war'.² Application must first be made to our ambassador at Peking; if redress could not be obtained by this means, the matter must be referred home for the decision of the

¹ 'It may be necessary to arrest the high officers, should they absolutely refuse to do justice or respect our treaty rights.' Orders by Admiral Keppel to Captain Heneage, 1868.

² Jan. 28, 1869.

Government. The consular service generally was warned in the clearest terms against any repetition of the policy of local pressure. 'Her Majesty's Government will visit with the severest condemnation acts of violence wantonly undertaken and carried out without the express sanction of Her Majesty's Government.'¹

We had concluded the treaty with the Peking Government alone, and were determined to hold them responsible for its full observance on the part of the local authorities: this clearly implied the abandonment of the old method of local coercion. The attitude of the British Government was the logical outcome of the new policy of diplomatic conciliation, but it hardly made sufficient allowance for the inherent difficulties of the situation, arising from the action of the provincial authorities and the weakness of the control from Peking. Even our ambassador was so impressed by these difficulties that he advocated the local application of force as a special adaptation of the principles of international law, necessary in dealing with Oriental nations. Foreign relations with China rested, in the last resort, on naked force; their continuance was hardly possible except on the same principle.²

Whatever the remedy might be, there is no doubt that commercial relations were seriously impaired by the recurrent missionary troubles. The problem was still more difficult of solution in the cases in which the area of missionary activity was extended beyond the treaty ports and the immediate control of the Consuls. Moreover, it involved a disputed interpretation of the

¹ Clarendon to Alcock, Feb., 1869.

² 'Where treaties have been imposed by force upon an unwilling Government, as all with China have been, they can only be upheld by similar means.' Alcock to Stanley, Feb. 1869.

treaty. The right of residence and holding land in the interior could only be claimed by British missionaries under the most-favoured-nation clause in the British treaty. The right was based on an Article in the French Convention of October 25, 1860 ; but the grant does not appear in the French text, which governs the interpretation in case of difference between the Chinese and French versions. In practice, the Chinese admitted, under protest, a kind of conditional right, the exercise of which was largely dependent on the attitude of the local officials concerned. The result had been complications, political and commercial.

There was no strong desire on the part of the Chinese to withdraw toleration on the ground of speculative belief ; the Christians were as free as the Mohammedans in matters of faith, so long as they obeyed the law of the land. But the methods of some of the missionaries tended to withdraw the native converts from their civil allegiance.¹ Such, at any rate, was the opinion of Chinese officials, an opinion shared by some of our own representatives, and supported by unwise conduct on the part of individual missionaries and their converts. The vital point was not the purity of motive or the real character of missionary effort, but the interpretation placed upon those efforts by natives of China and the Chinese Government. The British Government rightly declined to indulge in measures of coercion or war, to the detriment of British trade, for the benefit of a

¹ The Chinese object to the merchant but fear the missionary, 'as creating an *imperium in imperio* fatal to the authority of the Emperor. And are they so far wrong in their conclusion ?' Alcock to Clarendon, Oct. 1, 1869.

small body of men who claimed privileges beyond those of other British subjects and pushed their operations beyond the jurisdiction of British officials. The missionaries, in their statement of the case, insisted that they alone were the true envoys of civilization. Our boasted commerce was merely opium ; our officials knew nothing of the real Chinese people ; our merchants were totally ignorant of the language. 'Protestant missionaries ask for neither gunboats nor soldiers to protect them. The use of force, in connexion with missionary proceedings, is most abhorrent to their feelings.' None the less they were not backward in demanding 'justice' and consular protection, which could only be obtained by forcible methods.¹ The Bishop of Victoria, as their spokesman, advocated the use of local pressure, with increased consular power. He deprecated an appeal to Peking and expressed the view that 'notwithstanding some superficial appearances to the contrary, the Chinese Government is uncivilized and incapable of maintaining confidential relations with foreigners'.² The attitude of the missionaries can only be described as defiant ; it was scarcely calculated to conciliate the Chinese or to induce the British Government to add another to the many difficulties of diplomatic intercourse with China by giving countenance to their claim of inland residence.³

¹ 'We are British subjects, resident here under the protection of treaties, and engaged in the prudent prosecution of our lawful calling. We are not crying for war and vengeance, but we do claim justice.' Letter to *North China Daily News*.

² Letter to Clarendon, Dec., 1869.

³ 'Her Majesty's Government, whatever may be the claims asserted by the French Government on behalf of French missionaries, are not prepared to claim for British missionaries any other

It is now possible to appreciate the Circular issued by the Peking authorities to the foreign representatives in 1871. They pointed out that the recent disturbances were due not to trade but to the missionaries; there had been trouble wherever Catholic missionaries had appeared. Since 1860, the majority of conversions had been among the ignorant classes who were supported by the missionaries in acts of insubordination against the authorities. The people confounded Protestants with Catholics, just as, in their eyes, all Europeans were merely foreigners, without distinction. Ecclesiastics were tolerated in European countries, and caused no trouble, because they were 'not allowed to constitute in these a kind of exceptional independence for themselves'. Various regulations were proposed to deal with the matter; but the British Government, while disclaiming responsibility for the actions of foreign missionaries, considered special rules unnecessary, since a British missionary, like any other British subject, in the event of improper behaviour, could be handed over to the nearest Consul for punishment. The real difficulty, however, lay not so much in specific acts of lawlessness, as in the fact that the tendencies of missionary teaching were of necessity revolutionary from the Chinese point of view. The attitude of certain individuals towards the Taipings contributed not a little to increase the suspicion natural to the minds of the official classes in China.

The troubles culminating in the massacre of Tientsin interrupted for a time the friendly relations between

privileges than those that may be enjoyed by other British subjects.' Letter of the Foreign Office to the Bible Society of Scotland, 1870 (?).

the Tsungli Yamen and the foreign representatives. But official ideas were slowly progressing, with the aid of steady pressure from without. In 1874, after months of negotiation and long discussions on points of etiquette, the foreign representatives were granted, somewhat ungraciously, it is true, a formal audience with the Emperor, without the objectionable ceremonies to which they had consistently refused to submit. The incident was of the greatest significance, politically, as marking the formal breach with the old policy of seclusion and its accompanying claim to superiority. The whole question of intercourse between native officials and foreigners came up for discussion, and it had an important influence on the settlement of commercial difficulties.

A remarkable memorial from the Tsungli Yamen to the Throne, in 1875, refers to a recent decree approving the formation of a reserve of officials thoroughly acquainted with foreign affairs. The memorialists notice that the recent visits of Chinese envoys to foreign States have drawn attention to the lack of such intercourse between the foreign representatives and officials in Peking. Such intercourse is vital to the prevention of trouble. 'Men's minds, in fact, must have free intercourse to each other before angry collisions between them can be prevented. . . . Though it is not possible to treat (foreign) envoys in every way as they are treated in foreign States, eastern or western, still it does not for all that appear necessary that there should be no intercourse with them whatever.'

The outcome of the memorial was a Circular of the following year, addressed to the foreign representatives, requesting them to come to some general understanding, with a view to finding a basis for such intercourse.

It was, moreover, noted by our officials that Chinese documents showed more consideration for foreign susceptibilities; and this changed disposition was emphasized by unexpected visits of courtesy to the embassies, by leading officials in Peking. We had refrained from pressing for the right of audience conceded to the British Minister by Article III of the treaty of 1858, mainly owing to the minority of the Emperor and the difficulties of the acting Government. But in 1875, Sir Thomas Wade insisted that the matter could no longer be deferred, since the policy of the Central Government was the chief cause of outrages on the part of provincial officials, 'who, if not in so many words instructed by the Central Government to manifest a feeling of hostility to the foreigner, are but faithful to the principle by which the policy of the Central Government is guided, the principle of withstanding, either secretly or openly, every movement by which China may be possibly committed to a departure from the traditions of non-intercourse.' For fifteen years Wade had steadily denounced this policy as most dangerous to China,¹ while maintaining that the only wise course was to recognize fully the position of the foreign Ministers and thus convince the people of China that the foreigners were the friends and privileged guests of the Emperor, and as such not to be assailed with impunity.

The difficulty, on the one side, lay in the survival of the old policy of exclusiveness among a powerful party

¹ 'It is only when these conditions are satisfied as the treaty requires, that China can be effectively represented abroad, and until she is so represented, she is at the mercy of a hundred dangers from which the pettiest States in the family of nations are comparatively secure.' Letter to Kung, 1875.

in the capital ; on the other, it appeared in the necessity of absolute agreement on the part of the Great Powers, an end difficult of attainment where commercial interests were concerned. England was no longer alone. Great expectations were liable to disappointment unless the mercantile classes fully realized that the hands of the British Minister were tied and his freedom in negotiation hampered by the need of constantly taking into account the possible objections of the representatives of the other Powers.¹ The Chinese were not unaware of this clash of interests ; though at the moment it tended rather to their disadvantage, by increasing the difficulty of obtaining for China those concessions which they hoped to gain from the new diplomatic method of intercourse.

There was need of new methods if commercial problems were to be handled without resort to violence. A perpetual source of complaint on the part of the foreign merchants was the taxation of trade in defiance of the treaties. But the Peking Government, even when compelled to admit open violations of treaty rights, was unwilling or unable to coerce the provincial authorities. Transit passes were defied, and Likin was exacted, not merely in the treaty ports, but even

¹ 'With a trade regulated by provisions common to all the treaties, and defined in nearly identical language in the treaties, it is not competent for the British Minister, any more than for the Minister of any other Treaty Power, single-handed, to negotiate any conditions that will modify the existent treaty provisions ; or, more exactly, to negotiate conditions that will be operative. Unless it had formally accepted the changes agreed to, any one Power, no matter how insufficient its share in the China trade, would, in most instances, be able to neutralize the effect of any new provision though assented to, it might be, by all the Powers interested in commerce.' Wade to Derby, 1875.

within the area of the foreign Concessions. The British Government was long-suffering and disposed to make every allowance for the difficulties of Chinese administration; it was anxious to avoid endangering the stability of the Peking Government by strong measures; but Lord Derby found it necessary to hint that there must be a limit to our patience, and some guarantee must be provided that China really intended to carry out her promises. Hitherto the hopes of the British Government in the matter had been disappointed. The main objects of our policy are briefly summed up in a dispatch of 1876:—‘The treatment on a proper footing of the Ministers of friendly Powers, the representation of China in this and other foreign countries, the proper protection of foreigners travelling in China, the execution of the treaty stipulations in regard to trade and other matters, the establishment of commercial relations between India and western China, are all subjects to which Her Majesty’s Government attach great importance, and they have learnt with satisfaction the assurances which have been given to you on these points.’¹ Unfortunately, this was not the first occasion on which such assurances had been given, only to be falsified by subsequent events.

In the matter of the treaty, the Chinese, as represented by Prince Kung, were inclined to adopt a policy of inaction. They professed that if the foreign merchants would abide by the provisions, there would be no further trouble, and denied any general breach of the agreement on their own part. They further maintained that, in the matter of offences committed against the subjects of either party, the attitude of China was more correct and reasonable than that of Britain. The

¹ Derby to Wade, 1876.

ultimatum, in any form, had never been in favour with Chinese diplomacy, even in the case of serious offences against her citizens.

The best comment on the whole situation is to be found in the memorandum drawn up by the Inspector-General of Maritime Customs, in 1876, in reply to a request from the Tsungli Yamen. In a brief introduction, he summarizes the defects of the existing system, especially from the point of view of commercial relations. In matters commercial and judicial alike, the principle running through past and present arrangements has been the distinction between persons rather than things, with resultant jealousy and angry feelings on both sides. As far as the interference of the Government in commercial questions is concerned, the various arrangements have provided for one party only, with little or no regard for the idea of reciprocity. The conditions necessary to the success of any fresh proposals are threefold: they must be suited to the locality, practicable from the point of view of customs administration, and acceptable to all the Treaty Powers. The foreigner is not content with the privileges existing by treaty; he desires complete freedom for commercial and industrial enterprise throughout the whole of China, coupled with the principle of extra-territorial jurisdiction. The Chinese are suspicious of change, particularly when it is not due to a genuine native development but is imposed from without; though force of circumstances is gradually bringing them to recognize the impossibility of an ultra-conservative policy. But China has also realized, in the course of years, the full implication of the principle of extra-territoriality; and the opposition to its further extension is a most serious obstacle to any

revision of the commercial clauses in the treaties, in a sense favourable to the foreigner. Here is the real deadlock. The Powers will not be satisfied with any terms which lack the principle deemed necessary by them for the security of their subjects; while China will refuse to accept any arrangement which runs counter in this respect to native feeling. Then follows a summary of the complaints on both sides, with various plans of reform by which commercial and other relations might be improved. The whole document is worthy of most careful study, though it is impossible here to do more than refer to a few points. In the matter of Likin there is something to be said on both sides, and the interpretation of the treaties is obscure. It is a case for mutual concession. The foreigner complains that transit passes are not respected. The privilege has existed for fifteen years, and tens of thousands of certificates have been issued, whereas not twenty cases in all have been proved of the definite failure of the privilege. In most of the cases of the refusal to respect certificates, there has been, at any rate, a strong ground for suspicion that the privilege was being misused for the benefit of goods not really entitled to such protection. A still more difficult question is raised by the claim of Chinese officials that goods which have reached their destination are simply Chinese goods, and, as such, liable to any taxation which China pleases to impose. The foreigners complain that by this local taxation the advantages of the transit system are effectually neutralized. But China, like other States, needs revenue, and must raise it from taxation. On the whole, the Chinese assert that the foreigners employ their special privileges for the benefit of native traders and goods, thus defrauding the

revenue and giving to a few traders an illegal advantage over the mass of their fellow-countrymen. In other words, the foreigner, having received special privileges for the exchange of foreign for Chinese goods, has used his position to interfere with the strictly native and internal trade, in opposition to the whole system of native trade and taxation. 'The foreigner complains that China violates his treaty rights. China complains that the foreigner abuses his treaty privileges.' The foreigner is indignant because China is hostile to western methods and ideas: she will tolerate neither his presence nor his industrial and commercial methods, even for her own benefit. But the Chinese are conceited, contented, and conservative; their experience of the foreigner has been merely as a disturbing element in their administration, and in the relations of officials and people. China has learnt, in the last thirty years, that western Powers, in their dealings one with another, do not by any means grant the special privileges which have been extorted from her. It is hardly to be expected that, with her experience of the working of the principle of extra-territoriality in the ports, she should be anxious to see it extended throughout the length and breadth of the country. 'The foreigners' administrative complaint is that China does not accept foreign suggestions; China's reply is, that she cannot do so, so long as their concomitant is unlimited ex-territoriality.' It is largely the indefinite character of the foreign privileges which daunts the Chinese official. Some modification of the principle might be made which would still give the foreigner sufficient security in his business, without rousing the fears or offending the susceptibilities of the Chinese; but such modification

would imply concessions on both sides in a reasonable spirit. The alternative is for the foreign merchant to remain at the treaty ports and content himself with declamation against the stupidity of the Chinese Government. If it is desired merely to give effect to existing treaties, the chief need is an authoritative declaration as to the meaning of certain much-disputed clauses, especially on transit and judicial matters.

The foregoing summary has been given as defining the situation in the view of one thoroughly acquainted with the administrative and commercial conditions in China and in a position peculiarly calculated for the true estimation of both sides of the question. The various and detailed proposals for reform are best studied in the words of the author himself.¹

The proposals of the Inspector-General were far too drastic for the ideas of his employers, and our estimate of the significance of the altered conduct of Chinese officials, in 1875-6, must be qualified largely by the consideration that they were acting under pressure. In fact, the method of settlement by negotiation and mutual concessions had received a check, while the principle of exacting privileges as a penalty had been revived owing to another of those local incidents which were the perpetual bane of our representatives. The incident was the murder of Mr. Margary and the attack on the Indian mission under Colonel Browne, in February, 1875. The outrage was the more serious in that Mr. Margary was travelling with special passports and his mission had been announced by the

¹ The memorandum is also contained in 'These from the Land of Sinim', 1901, Appendix II. Appendix I gives the Circular of 1878 embodying the views of the Chinese Government on the interpretation of the treaties.

Tsungli Yamen to the responsible authorities in Yunnan. High officials were directly involved, and the Central Government could not in this case deny responsibility. Peaceful relations were impossible if English officials, travelling with the direct sanction of the Peking authorities, could be murdered with impunity. It is unnecessary to follow the details of the negotiations which ensued. There were the usual threats on the one side, the usual delay and prevarication on the other. The Chinese were prepared to offer scapegoats to the vengeance of the foreigner, but it was found impossible to discover and punish the guilty parties. The demand for reparation for a definite outrage was inevitably bound up with the broad question of the attitude of the Chinese Government towards its treaty obligations. The murder was, in part at any rate, the natural result of the anti-foreign policy of Peking; the only real penalty which could be exacted was the reversal of this policy and the admission of the change by the Central Government in the clearest possible manner. Such were the circumstances in which the Chifu Agreement of September, 1876, took shape. It consists of three main sections.

The first deals with the settlement of the Yunnan case. A memorial to the Throne, with a decree in reply, in terms approved by our ambassador, are to be published throughout China. British officers will be sent to various places to ensure the posting up, by the provincial authorities, of the proclamation embodying these documents. British officers may be stationed in Yunnan for five years, to observe the conditions of trade, and the British Government may propose the opening of trade at any time. Furthermore, the

Viceroy of India may send another mission if he thinks fit. An indemnity, and a letter and mission of apology to England complete the penalty.

The second part deals with official intercourse. The Tsungli Yamen is to address a Circular to the foreign representatives, inviting them to consider a code of etiquette with a view to better conditions of official intercourse, and also the improvement of the administration of justice at the ports.

The third section deals with trade. The British ambassador, on his part, is prepared to move his Government to compromise the question of the Likin area at the ports and to agree to special arrangements for the import of opium; while the Chinese Government, in return, agrees to open more treaty ports and to allow steamers to touch for trade at certain points on the Yangtse. The transit system is to be unified and, as concerns imports, the privilege is to attach to the goods regardless of ownership. The British Minister will agree with the Tsungli Yamen as to rules to prevent the abuse of the transit privilege. The ports are to be opened within six months; but the stipulations as to Likin and opium will only take effect when the British Government has come to an understanding with other foreign Governments. In a separate article China promises to give the necessary passports for the proposed mission to Tibet, via Kansu or Sechwan, and to write to the Chinese resident in Tibet.

The murder of Mr. Margary was an international offence, and the penalty was necessarily extracted from the Chinese Government. The enforced publication of the decree and memorial, the terms of which amounted practically to a condemnation of their own

policy, was no light matter for the Peking authorities. The remainder of the first section implied a further blow to the policy of exclusion. The rest of the agreement hardly bears the character of a penalty, as it contains considerable concessions on the British side. The shape rather than the contents is important, since the formal question had dominated Chinese diplomacy throughout the century. Once the attitude of exclusiveness and superiority was abandoned by the Chinese officials, there would be no insurmountable obstacle in the way of improvement in material conditions. It has been noted that there were not wanting signs of a change in disposition on the part of officials; but it is hard to say how far the change was spontaneous, how far a mere recognition of the temporary force of circumstances.

The interests affected by the Chifu agreement were sufficiently powerful to prevent its immediate ratification. The representatives of the Powers held strong views on the subject of Likin, while the Indian Government was alarmed for its revenue, and the Indian merchant for his profits. As we are unable to fulfil our part of the bargain, our ambassador felt himself bound to propose that the new ports conceded by the Chinese should be abandoned and the Consuls withdrawn. But the Chinese preferred to press for the execution of the agreement, especially on the ground that the opium question was one for Great Britain alone. In 1883 negotiations were reopened with the Chinese ambassador in London. The British proposal was that Likin on opium should be collected by the Imperial customs, and that no further levy should be made until the second inland barrier was reached. The Chinese put forward the alternative that there

should be a uniform rate at all ports freeing opium from all other dues whatever in transit. The Marquis Tseng suggested that the best guarantee of the observance of the agreement was that it was proposed by China herself instead of being forced on her by those ignorant of her internal needs.¹

In the end the Chinese view prevailed; they also carried their point as to the restriction of the opium trade in the interior to Chinese subjects, and the amount of the Likin which was fixed at 80 taels per picul (25 % ad valorem). The British Government consented to this high figure, at the risk of some injury to Indian interests, in consideration of the assurances given by the Chinese; but it reserved the right to cancel the agreement in the event of the non-fulfilment of its terms by the provincial authorities in China. The experiment was to be made, as suggested by Sir Rutherford Alcock, of relying on Chinese promises, freely given, instead of extorted by pressure or threats.

The negotiations connected with the Chifu agreement illustrate the increasing complication of Chinese questions owing to the conflicting views of the various Treaty Powers. The source of the whole incident, the expedition of Mr. Margary, brings into prominence another type of problem, which from this time becomes more and more pressing.

The relations of China with foreigners at a select number of treaty ports had provided unlimited oppor-

¹ 'The Imperial Government has often been held responsible for the friction caused in working arrangements but ill-adapted to the state of the country, and which a better knowledge of its internal conditions would have shown, to those who framed them, were incapable of execution.' Tseng to Granville, Sept. 30, 1884.

tunities for the exercise of diplomacy ; increasing contact on the land frontiers gave rise to questions still more difficult of solution.

The inaccessible south-west regions of China had for many years been the El Dorado of optimistic traders.

CHAPTER VIII

COURSE OF TRADE FROM 1865 TO 1884

IN 1865 the worst effects of the Taiping rebellion were passing away, though the complete recovery, by the restoration of population and civilization in the devastated regions, was a slow and tedious process. Moreover, at this date, the imperial maritime customs organization had been extended to nearly all the open ports; so that there is available, henceforward, material for estimating, from the Chinese point of view, the results of the system inaugurated by the treaties. Though only a portion of the foreign trade of China—that passing through treaty ports and carried in foreign vessels—came within the cognizance of the maritime customs, the figures afforded a sufficient index to the progress of the whole.

FOREIGN IMPORTS AND EXPORTS (NET) FOR THE WHOLE OF THE
TREATY PORTS, IN MILLIONS OF HAIKWAN TAELES.
(GOODS ONLY.)

	Imports.	Exports.
1865-8 (average)	62.1	54.6
1869-72	67.0	64.3
1873-6	67.2	71.4
1877-80	76.3	71.1
1881-4	78.9	69.0

The exports appear to be stagnant after 1872, while the imports show a steady growth in value, with a tendency to slackness in the middle period. But the figures are on a silver basis and need considerable

correction, for some purposes, after 1872. Down to that year the value of the Haikwan tael,¹ as measured in gold, may be taken as between 6/6 and 6/8 : from that date China begins to feel the effect of the fall in the gold value of silver. The exchange value of the tael dropped steadily, with a slight recovery in 1877, until in 1880 it stood at 5/9⁵/₈ and in 1884 at 5/7, on an average for the year.

It is clear that the sterling values of the trade would give a very different impression for the later periods as compared with the earlier, and it is useful to place side by side with the Chinese figures the value of British trade with China, as estimated in the United Kingdom in gold ; though a direct comparison is impossible owing to the disturbing element introduced by the great entrepôt trade of Hongkong, which defied the analysis of the customs.

DECLARED VALUE OF EXPORTS OF BRITISH AND IRISH PRODUCE TO CHINA AND HONGKONG : AND VALUE OF GROSS IMPORTS FROM CHINA AND HONGKONG INTO THE UNITED KINGDOM. (IMPORT VALUES 'COMPUTED' TO 1870 : AFTERWARDS 'DECLARED').

	Imports. Million £.	Exports. Million £.
1865-8 (average)	11.0	7.15
1869-72	11.60	9.35
1873-6	14.04	8.22
1877-80	13.88	7.74
1881-4	11.39	7.93

The import values show a steady improvement to the middle period, followed by a marked decline ; while the exports reach their maximum earlier, and then relapse into stagnation. The final position, both for

¹ The Shanghai tael, the unit for business at that port, in which values are often given in statistical tables, was related to the official Haikwan tael of the customs as 6/- to 6/6.

imports and exports, shows little material improvement as the result of twenty years of commercial and diplomatic effort, in so far as we look only at the total values of the trade. The significance of the figures can only be grasped after a more detailed analysis of the general conditions of the trade and the progress of the interchange of special commodities.

The year 1865 and the years immediately following were marked, on the whole, by satisfactory progress in all departments of trade, in spite of commercial crises, in England and other western countries, which affected adversely some of the foreign merchants at Shanghai. The purchasing power of China was growing, partly owing to the recovery from the rebellion, partly from the opening up of new markets under the treaties. There was a considerable improvement in the import of cottons, even before prices fell with the recovery of Lancashire from the cotton famine, the increase being accelerated as prices tended to their normal level. At the same time, the export of raw cotton to Europe ceased, and the trade returned to its old groove. The increased demand for woollens may be taken, to some extent, as an index to returning prosperity,¹ the movement being especially noteworthy at Tientsin, and at Hankau, which supplied the wealthy region in the neighbourhood, notably Sechwan. There was also a significant increase in the class of minor miscellaneous imports.

The renewed activity of trade, and the extension of the markets by the addition of new treaty ports, was also evident in the growth of foreign tonnage employed

¹ 'It is often said, and apparently with truth, that the demand for woollen goods is a criterion of prosperity in China.' Consular Report, 1869.

in the vast coasting trade of China. The period was satisfactory to the British producer, but the resident foreign merchant was not entirely content, and his troubles were destined soon to be increased.

The opening of the Suez Canal, and the subsequent completion of telegraphic communication with the commercial centre of China, involved a revolution in the methods of conducting business and seriously affected the old-fashioned traders, who were slow to recognize the change or suit themselves to the new conditions. As early as 1866 we get a hint of the clash of the old and new systems, in occasional criticisms of the extravagant style of living affected by the foreign merchants and the high salaries paid to subordinates. Methods which were natural under the old régime of monopoly were hardly suited to the new era of free competition; but the change to more economical principles was not to be accomplished without friction. The canal and the telegraph rendered inevitable a revolutionary change. The Treaty of Tientsin and the older treaties had produced temporary disturbance of the market conditions, and overtrading with its usual consequences; the canal and telegraph were permanent disturbing influences. Rapid transit and lower freights gave every opportunity for glutting the markets. British products could be poured into the treaty ports at an accelerated rate, while the difficulty of distribution over the interior of China remained as before, or yielded but slowly to official pressure and demands for the full recognition of treaty rights. It became more and more difficult to regulate the supply in accordance with the probable demand. So, though the seasons 1871-2 are marked by a heavy increase in the trade,

the local markets were glutted with unsaleable goods, in preparation for the inevitable collapse.

The export trade from China was affected in like manner; the small dealer found his opportunity while the independent merchant tended more and more to become a mere commission agent for the producer on either side. Thus silk could be sold in London as soon as it was bought in Shanghai, and the seller could enter at once on further operations. The possibilities of the trade attracted men with small capital or credit, while the more responsible merchant, in anticipation of lower profits on each transaction, was naturally disposed to enlarge the scope of his operations by way of compensation. The result was an artificial expansion of business, to the advantage perhaps of the British consumer and greatly to the profit of the Chinese producer, or merchant, who exploited to the full the competition among foreign buyers, but greatly to the detriment of the foreign mercantile community in China. Thus, in 1873, high prices were paid for tea and silk, in spite of the stagnation in the home market; the foreign buyer was helpless in the hands of the native dealer, who was enabled by his excellent guild organizations to maintain a strong control over the local markets. The tea trade was further upset by the greater rapidity of transit, which resulted in the flooding of the London market for a few weeks in the autumn with supplies which, under the older conditions, would have been spread over the winter and spring months. Devastating floods in North China affected the purchasing power of the native consumer and helped to render 1873 the worst year of depression within the memory of living China merchants. In 1876 the country was again visited by

famine in the north and floods in the south, while business was restricted by fears of political trouble incidental to the settlement of the Yünnan question, and above all, by the unprecedented fluctuations in exchange which marked these years of the beginning of the rapid fall in the value of silver. The obstacles to internal communication still remained intact over a wide area, while the purchasing power of the masses was restricted by the continued exaction of the taxes imposed originally for the suppression of the great rebellion. In short, China in the seventies suffered from a combination of evils, in part peculiar to herself and affecting her capacity for purchasing foreign products—as famine, taxation and political disturbance in the west—in part due to the transition state of her foreign trade organization and affecting more particularly the resident foreign merchant, in part due to such world-movements as the fall in silver and the general commercial depression subsequent to the Franco-Prussian war. The steady decline in the value of British exports to China from the maximum of 1870-2 to the minimum of 1878 is amply explained by this concomitance of unfavourable conditions.

But China possesses remarkable power of recovery from disaster. In 1879 there was a marked improvement, while 1880 was a record year for British exports to China. The west recovered from the effects of the Mohammedan rebellion and the north from famine; at Tientsin the expected depression as the result of nine million deaths did not occur; the wasted stock of the famine years, notably clothing, must be renewed. Hankau and Shanghai proved the great revival in the Yangtse region. But the abnormally high limit of trade values could not be maintained;

1882 was marked by heavy losses to the commercial community; the markets were again disturbed by floods in the Yangtse region and by political friction with France in the south, so that 1883-4 was another minimum year for British exports to China.

But throughout, in periods of prosperity or collapse alike, one interest becomes more and more prominent and aggrandizes itself at the expense of the foreigner. From one port after another the warning is repeated that the trade is getting into the hands of natives while the foreigner is declining to the position of a mere agent. Now it is the compradore who gains wealth at the expense of his nominal principal and controls the trade through the foreigner's ignorance of language: now it is the members of a native gild combining to keep up prices or making private and preferential arrangements with the native customs and Likin officials. The result is invariably the same: the profits and influence of the foreigner decline together. The astute native, however, is quite prepared to leave the export business to the foreigner, as thus he profits by the competition among buyers; but he encroaches more and more on the import trade where the foreigner, in ignorance of the state of the market, can easily be induced to sell at a small profit or even at a loss. The Chinese were already discovering that there are other means than riot and open opposition for the ousting of the foreigner, means that cannot be touched by force or treaty, though the British merchants on one or two occasions went so far as to demand the aid of their Government against these purely commercial tactics. Without knowledge of the native language or right of inland residence and travel he was helpless in the hands of his native agents.

The course of the separate trades further illustrates the vital changes of the period. Among imports, cottons are still the predominant factor and responsible for the major fluctuations, thus providing the most instructive comment on the main conditions of the market and the problems to be faced by the British producer and importer.

For a year or two after the American Civil War we find a great inflation of values, due to the abnormally high prices, with a moderate increase in quantity, due apparently to the improvement in the wealth and purchasing power of China. One item in particular—T cloths—showed, at the close of the sixties, a development out of all proportion to that of the rest; and here it is noteworthy that we were dealing in a fabric closely resembling the product of the native looms. It seems that, in spite of the cessation of the export of raw cotton to Europe, and the resumption of the Indian supply, the price of raw cotton in China, as compared with Lancashire, fell more slowly from the war-level. We were, in consequence, for a short period, enabled to undersell the native producer. But in the seventies, we find good cotton harvests and low prices of raw cotton in China coinciding in a marked manner with sudden decreases in the import of foreign T cloths. In fact, we seem here to have an illustration of one of the main characteristics of the textile trade with China. With raw cotton cheap in China, we found it impossible to compete with the native article for the everyday use of the mass of the people; our cottons were either too dear or too light to stand the wear and tear incident to daily labour. So, in the opinion of one of our Consuls in 1875, the great obstacle to our trade was not internal taxation but 'the fact

that China herself can produce an article of more durable quality and better suited to the wants of the people at an equal or lower cost.' In other words, our goods were either the luxury of the rich or used only by the common people for special purposes, where durability was a secondary consideration.

In the light of these facts it is possible to appreciate the controversy in the seventies as to the sizing and adulteration of Manchester goods for the China market. Complaints poured in, through official and unofficial channels, that the practice was ruining our reputation in China and would end in throwing the trade into the hands of our chief rivals, the Americans. The weighting was represented as a fraud on the Chinese buyer, while the adulteration undoubtedly produced mildew and deterioration in transit. Importers were forced to make allowances and failed to recover compensation from the home manufacturer. The Shanghai Chamber of Commerce addressed a solemn warning to the Manchester Chamber in 1872, and the case seems to provide an excellent text for a sermon on the sad effects of dishonest trading. Such criticism rests on the assumption that neither the Manchester merchant nor the Chinese dealer was competent to manage his own business, and it ignores the consideration of the special uses for which the adulterated cottons were destined. The whole question hinged on price. The Chinese buyer either would not or could not pay the price of the superior article with which we were quite ready to supply him. Doubtless, in districts affected by flood or famine, the native consumers often found it necessary to purchase the inferior article, knowing it to be inferior, and in default of cash at the moment sufficient to provide the

superior and more durable but dearer native article ; the situation is common enough all the world over where the market is poor, and is not a little responsible for the success of some of our rivals in certain markets at the present day. Doubtless, too, in many cases, the ignorant consumer was deceived by the native middleman, and only discovered his error on wearing or washing his purchase. Hence might arise, among consumers generally, a prejudice against foreign goods which should justly have been directed against the Chinese middleman. But the latter needed no instruction from us to enable him to distinguish good from bad, and it is noteworthy that the demand for the adulterated article was often greater than that for the genuine, where both were on sale in the same market. In short, we were supplying a special rather than a universal requirement of the Chinese consumer.

The lack of remunerative prices prevented us from competing with the heavy and durable goods produced by the native looms ; it also affected our position in relation to our chief competitors for the custom of China. The Americans invaded the market for heavy unsized goods with a certain measure of success, though not with the profits which they had anticipated. Their economic advantage lay in those goods in which the cost of raw cotton was large relatively to the cost of labour and manufacture. It was these goods alone, by the weight of raw material, which could hope to displace, to any great degree, the heavy native fabrics. It was a case of Lancashire, with cheap and efficient production and relatively dear raw material, against America with more costly methods of production but material relatively cheap ; the net advantage in certain types of goods seemed to lie for the moment with

America. But from 1880 onwards, with returning prosperity in China, the demand for the better quality of unsized goods at a fair price increased; Lancashire responded and showed some signs of overhauling America in the market for the more durable type of cotton goods.

At the close of the period we find the first indications of a new and important factor in the trade; small quantities of coarse Bombay yarn begin to appear among Chinese imports, and their appearance synchronizes, in some districts, with a fall in the import of British yarn or piece-goods. The tendency to decline in the import of cotton cloth is concealed in the general statistics by the increase of miscellaneous cotton goods. This increase in itself offers another proof that we were not supplying the normal everyday needs of the masses, but dealing rather in luxuries and special articles. We shall hear more of Indian yarn in the next period.

The woollen trade, after the first boom, remained steady throughout, fluctuating with the prosperity of various regions, but with no very marked progress. The Yangtse valley remained the chief market, as the wealthy classes in the colder north found that furs were much more suited to the severity of the climate, while the poor remained faithful to the cheap, wadded cotton. Towards the end of the period the demand for uniforms for the troops tended to give a somewhat artificial stimulus to the trade, thus concealing the natural downward tendency. But our lighter woollens suited neither the purses nor the tastes and needs of the masses, while the more durable types found a very real enemy in the moth and other vermin peculiarly favoured by the conditions of life in China. The

Chinese showed a surprising want of appreciation, according to western ideas, of the superior convenience and facility of movement resulting from European materials and fashions in dress.

The values for the period show the unique importance of cotton among the imports and its responsibility for the fluctuations of the whole.

DECLARED VALUE OF THE EXPORTS OF BRITISH PRODUCE TO
CHINA AND HONGKONG. 1865-1884.

	Cotton goods and yarns. Million £.	Woollens. Million £.
1865-8 (average)	4.61	1.55
1869-72	6.74	1.24
1873-6	5.92	1.04
1877-80	5.32	1.20
1881-4	5.42	1.03

The opium trade has peculiarities which isolate it from the general development of Chinese commerce and at the same time provide most interesting illustrations of certain aspects of the internal economic organization of China. The main facts are simple. The quantity of Indian opium imported shows little elasticity between 1865 and 1884, while, at the end of the period, after a few years of inflated values, the price falls considerably. On the other hand, the total consumption in China grew with great rapidity, more particularly in the earlier years of the period. The balance was made up by greatly increased production in China itself. But the imported and native drug are intimately related as the two were commonly mixed, the native being, as a rule, of inferior quality. This fact complicates the problem of competition and prices.

The steadiness of the Indian import, for China as

a whole, is far from being characteristic of particular regions and treaty ports.

Yünnan, Sechwan and the western districts north of the Yangtse, with Shantung and Manchuria, were the chief centres of native production at the time; while the ports mainly affected were Niuchwang, Tientsin, Chifu, and Hankau. In 1865, an imperial edict prohibited the cultivation of the poppy, though the prohibition was commuted in practice, in the northern provinces, to a differential tax in favour of grain-growing. Production was also affected by the rebellion in Shensi and Kansu. The immediate result was a great increase in the foreign import at Tientsin and Hankau. But the official edicts were soon disregarded, and differential taxation was hardly sufficient to check the cultivation of a crop which was four or five times as profitable as wheat. So, in 1868, the foreign import again declined, particularly at Hankau. In 1872, another imperial edict was partly effective in the Niuchwang district and in Shensi and Kansu, so that for a time the price of the native drug rose to the level of the Indian. But again the prohibition was only temporary; in 1874 there was a great fall in the opium imports into Niuchwang, while, in the general depression in 1875, the fall in opium at Tientsin was more marked than that of other commodities. By this time the whole of the west and north was practically independent of the foreigner for its normal supplies. In the coast region of Shanghai, India still ruled the market, in spite of differential taxation in favour of the native product coming down from the west; but this competition threatened to make serious inroads on the profits of the trade, while the element of speculation

was reduced by telegraphic communication with India which discounted the special advantages of individuals by regularizing the supply. A slight rise in prices at Shanghai called out shipments from India in instant response. There was a notable decrease in the more costly Indian qualities, apparently due to a growing taste for the inferior variety; at the same time we begin to hear, from various sources, of attempts, more or less successful, to improve the quality of the native drug and thus to remove the sole advantage of the Indian.¹

In 1876, at Hankau, Indian was still steadily declining, though smoking was increasing; while a temporary improvement at Niuchwang was due solely to the failure of the native crop. Local officials, by reduced taxation, pursued a policy of encouraging the home industry, while the action of the Central Government was uncertain and inconsistent. This apparent inconsistency may perhaps be explained by the conditions of cultivation of the poppy. Towards the north, it could only be grown on the most fertile land, and tended inevitably to displace cereals as the main crop: in the centre, it was grown often on the hillsides and as a winter crop, and thus did not displace the main summer food-crop, rice. In 1884, the cultivators in Sechwan, owing to the drought and need of cereals, found it necessary to prohibit the cultivation of the poppy, on their own initiative and through their local organization; so that it is not unreasonable to assume that in the question of local food-supply, at different times and in different regions, may be found the key to much of the apparent incon-

¹ In 1879, at Tientsin, the best Shansi opium commanded a higher price than Malwa.

sistency of the Central Government and native officials. In the central region the poppy enjoyed a further temporary advantage. The normal rent seems to have been a share of the summer crop, so that the profit on the winter crop accrued entirely to the farmer; but the landowners were not slow to discover the value of the poppy and to demand their share, with the result that there was a great rise in rents in some districts in the west about 1880, thus neutralizing to some extent the natural bounty on poppy-cultivation.

In this year, too, there was a slight recrudescence of official opposition in Honan, Shensi, and Niuchwang; but it only resulted in a certain amount of speculation in imports, followed by the usual and inevitable collapse. The fall in the Indian import continued, and by 1882 there was evidence that the native drug was at last invading the markets even on the coast and islands. With the enormous increase in the native product, accompanied by a slow but steady improvement in quality, and by all the advantages arising from the anti-foreign sentiments of officials as expressed in their fiscal policy, the prospects for Indian trade in 1884 could hardly be described as bright.

EXPORTS OF OPIUM FROM INDIA TO CHINA AND HONGKONG.

	1,000 chests.
1865-8 (average)	75.7
1869-72	78.2
1873-6	79.7
¹ 1877-80	86.7
1881-4	81.3

The fluctuations in the export trade naturally direct

¹ The increase in 1877-80 was entirely in Malwa: Patna remained steady.

our attention rather to the conditions of the European market than to changes in the internal organization of China. The quantity of tea imported into the United Kingdom from China increased steadily to 1875, but there the movement ceased, while the fall in price which had been continuous from 1864 was greatly accelerated. But the import from China was far from keeping pace with the consumption in the United Kingdom; China tea was supplanted by Indian, which grew slowly at first and then more rapidly. The years 1874-5 mark the change in the rate of increase. The full explanation of these changes will only appear after more detailed investigation.

The most important event, from the point of view of the Chinese grower and the foreign merchant, was the opening of the Yangtse in 1861, by which the foreigner was enabled to reach directly the heart of the best tea-districts. The operations of the rebels tended to limit the supply of tea, while the demand for export was growing; so the competition of the foreign merchants at Hankau led naturally to a sharp rise in prices and much speculation. At one time, the Shanghai tea-men were even selling at lower comparative rates than those obtained by the foreigners at Hankau! So, in spite of a growing export, the first really good season, from the point of view of the foreign buyer, was 1867-8. An unhealthy competition was caused by the annual race to be first in the London market, as tea of inferior quality and badly packed was bought up eagerly at excessive prices. The orders from London dealers amounted often to many times the available crop, and the result was not seldom a glut of Chinese tea of indifferent quality and

a consequent fall in price in the London market, while Indian continued to bring a fair return.

With the opening of the Suez Canal an improvement was anticipated, since the risk of deterioration on the long voyage round the Cape would be removed. The change merely exaggerated the existing evils. The first result of rapid transit was to pile tea on the market for a few weeks, and stocks, which under the old system might have been held for many months, were realized in a hurry, with the usual consequences. At the other end of the line, the foreigner continued to give high prices at Hankau for inferior teas; while the native farmer, growing tea as a by-industry, was not likely to attempt improvement or consideration for British tastes, so long as he could sell poor stuff to the obliging foreigner at a high profit. The transference of the operations of the Russian merchants from Kiakhta to Hankau intensified the competition, as they were prepared to pay well for the best of the first crop. For a few weeks, until the early crop was exhausted, Hankau was overrun by a crowd of buyers from Shanghai, and competition was severe; the later crops were usually handled in the old style, through the Shanghai tea-men, often on terms more satisfactory to the foreign buyer who benefited by the comparative scarcity in the London market after the exhaustion of the first glut.

In fact, the trade was in process of adjustment to the new conditions, and many shippers suffered severely, and gained their experience at a heavy price. They suffered again by the fall in prices which upset all their calculations of the London market. The business became extremely speculative in character, and the combinations among the native

dealers enabled them as a rule to transfer the incidental losses to the foreign shipper. Prices fell, it is true, in Shanghai, but not to the extent rendered necessary by the fall in London. Three seasons out of four there were complaints of universal ruin, but the trade still continued and the foreigner managed to survive, for the most part; so it is not impossible that losses were exaggerated. Much depends on the manner in which accounts are kept, and perhaps those who had been accustomed to large profits counted as a loss a mere normal return for capital invested. The real trouble seems to have been that the prices ruling in China for the coarser teas were far too high in relation to the state of the foreign market, while the conservatism of the Chinese, and their aptitude for commercial combination in the face of individual competition among foreigners, put a drag on the fall in prices which would have taken place naturally under western conditions of business. Again the warnings of the East India Company were justified by experience.

Prices were further increased by the export duty and *Likin*, which were equivalent to $2\frac{1}{2}d.$ per lb. In 1883, which was a fair year for shippers, the great mass of the tea sold in London for $8\frac{1}{4}d.$ to $9\frac{3}{4}d.$ per lb., while in time of glut it might drop to $6d.$ or even $5d.$ As a consequence of these conditions, years in which a smaller quantity was exported were often fairly prosperous for the shipper.

Though the export to the United Kingdom was on the down grade by 1884, the trade in black tea still prospered, owing mainly to the improved demand for the Russian market; in fact, Russia was fast becoming the dominant factor in this department of Chinese

commerce, greatly to the advantage of the Indian producer. The trade in green tea was of less importance and remained fairly remunerative and less subject to violent fluctuations; but the decline in black tea was a serious matter for those British firms which had hitherto been largely concerned in it.

QUANTITY AND VALUE OF IMPORTS OF TEA INTO THE UNITED KINGDOM FROM CHINA AND INDIA, AND TOTAL EXPORTS FROM CHINA TO ALL DESTINATIONS.

	Imports from China.		Imports from India.		Total exports from China.
	Million lb.	Million £.	Million lb.	Million £.	1,000 piculs.
1865-8 (average) }	125.8	10.0	6.34	.59	12.98
1869-72	139.9	9.6	13.97	1.20	15.90
1873-6	148.6	9.9	22.5	1.94	17.33
1877-80	155.0	9.0	37.6	2.87	19.73
1881-4	153.8	7.2	56.5	3.58	20.39

The remaining factor of importance is silk. The first few years of the period saw a fairly rapid recovery from the effects of the rebellion, a recovery stimulated by the high prices prevailing in consequence of the short supply.

TOTAL EXPORT OF RAW AND THROWN SILK IN THOUSANDS OF PICULS (NOT INCLUDING REFUSE, WILD AND COARSE SILK).

1865-8 (average)	40,800
1869-72	52,000
1873-6	68,100
1877-80	68,300
1881-4	60,300

Then for some years the trade remained steady, with a marked tendency to drag after 1880. The fluctuations in certain years were due partly to variations in the European crop, partly to speculation and the changes in the organization of business in China. The sudden increases in 1865, 1872, and

1876 may be assigned to the former cause. The usual phenomena of inflation—the purchase of the Chinese product by foreign shippers at excessive prices and the inevitable slump and heavy losses—are more particularly noticeable after 1870. Thus 1873-4 was one of the most disastrous seasons on record in the silk trade at Shanghai, with a drop of 30 % in prices. The crisis, as in the case of tea, was exaggerated by telegraphic communication with London and the operations of small men working on commission. The boom of 1876 was followed by a similar though less extreme depression. Again in 1881, the mere report of the failure of the Italian crop sent up prices so inordinately that silk was said to be selling in Shanghai at 20/-, while the London price was only 17/6.

The general conditions of the trade were radically changed. Cultivation had increased elsewhere, notably in Europe, and China no longer held a partial monopoly of the supply. Yet the high prices in the local market, due to the short supply in the sixties, remained; and not until 1874 did they reach the level of 1858, before the devastation of the producing districts by the rebels. By this date, too, the production, or at any rate that portion available for export, had reached the level of 1858. So the ten years 1864-74 must be regarded as abnormal, and though the Chinese producer profited by the exceptional prices, the effect on the general character of the trade was disastrous. The short supply of labour, coupled with the speculative demand at high prices, led to deterioration of the silk. The primitive Chinese method of hand-reeling was unequal to the strain involved in handling a vast number of cocoons in the

space of a few days, while the proposal to introduce European methods of reeling by machinery met with strong opposition from officials and hand-workers. There was also a natural tendency, fostered by artificial prices, to pass off bad wares as good. In fact, all the difficulties incident to the reorganization of the tea trade reappear in the sphere of silk. The growing taste for mixtures of silk and cotton in Europe was also not without effect on the China market, though some compensation was found in the methods for utilization of waste silk invented by European manufacturers.

None the less, from the Chinese point of view, the silk trade held out better prospects for the future than that in tea. Prices on the whole were steady in the latter part of the period, with a rise in some years partly compensating for the fall in the gold value of silver, while the quantity exported remained fairly uniform.

Improvement of methods alone was needed to restore the trade to its former important position in the economy of China, though not in that of the United Kingdom. In the years 1859-63 the British import from all sources reached a maximum ; but out of a yearly average of over nine million pounds China contributed little more than a quarter, and the proportion declined still further, for reasons already noticed. In the seventies the figures show a remarkable change. The total British imports decline steadily while China is credited with an increasing proportion, and, in fact, recovers her dominant position in our markets. The falling off in the total import represented partly a smaller consumption in British industries, partly the loss of the entrepôt business of

London. The advantages of direct import were obvious to the continental consumer, and were further emphasized by careless handling of the bales, with consequent damage, in the London warehouses. The increase of continental shipping, in the foreign trade of China, provided the means by which this change could be accomplished, and contributed, with the fall in home consumption, to render the United Kingdom henceforward of secondary importance to China as a market for silk.

IMPORTS OF RAW SILK (MILLION LB.) INTO THE UNITED KINGDOM.

	From all sources. Million lb.	From China and Hongkong. Million lb.	Total exports from China. 1,000 piculs.
1865-8 (average)	6.47	.093	40.8
1869-72	6.85	1.174	52.0
1873-6	5.70	3.681	68.1
1877-80	4.02	3.197	68.3
1881-4	3.50	2.689	60.3

The progress of foreign-owned shipping in the China waters during this period is of interest both for its own sake and in its bearing on the general commercial development of the Chinese market. In the local trade, the American flag shows a sudden increase after the conclusion of the Civil War; but there was no commercial significance in this, as it implied merely the re-transfer of vessels placed temporarily under foreign flags. The real growth in the coast trade was in British and German tonnage. In fact, the flag, in many cases, is hardly a true guide to the nationality of the owners, still less to the origin of the goods carried; for most of the cargoes under the American flag were undoubtedly British. By 1880, American shipping, sharing in the general decline under her

navigation laws, had disappeared from the river and coast trades of China ; but a new flag had appeared, as an indication of a movement of immense importance. In 1872, we get the first real attempt of the native to wrest the local steam traffic of China from the grasp of the foreigner.

✓ The China Merchants Steam Navigation Company was based on distinctly anti-foreign ideas. It was supported, financially and otherwise, by powerful officials, while foreign shareholders were barred ; the only foreigners to be admitted, even as employés, were masters of vessels. The company reaped the advantage of official contracts and patronage, and was sufficiently powerful to divide the local traffic with the British companies and even to impose on the foreigner some of its methods of conducting business. As the rival companies had a working understanding as to rates and spheres of operation, north of Shanghai and on the Yangtse the carrying trade was worked as a monopoly ; so complaints were frequent of the want of enterprise of the companies and the damage done to local interests through the absence of competition. South of Shanghai there was less uniformity of conditions, but it is noteworthy that in 1879 we find a Swatau native gild in a position to dictate rates even to foreign steamers, through its power of cornering the freight market ; it even went so far as to demand the dismissal of the master of a British vessel, on the ground of damage to native goods through his neglect. Behind all there was still the enormous junk-borne trade which rested entirely in native control, while many of the so-called foreign steamers were chartered and controlled by Chinese merchants.

The working of monopoly in transport and the

growing influence of the native are the chief points of interest in the development of local shipping; in the foreign trade proper we again find shippers and ship-owners in opposition. The close of the seventies saw the development in the China trade of methods and principles which are now familiar in the shipping business all the world over. The P. and O., with other British lines, and the Messageries Maritimes, came to the conclusion that the competition following on the opening of the Suez Canal was not to their taste; they professed also that a higher but steady rate of freight was really in the true interest of the trade itself; so they combined to raise the rate to London to £3 15/- per ton (40 feet) with 2/6 extra for mail boats. The scheme included an arrangement as to lowering of rates with a view to freezing out interlopers, while the merchant was to be controlled by the rebate and penalty method now familiar. After considerable effort, and not without cost to itself, the Conference was firmly established by 1884; the ocean race was abandoned, and outsiders arriving first at Hankau were unable to secure cargoes even at the unremunerative rate of 30/- per ton. The average rate for these years was not excessive, owing to the recurring necessity of freezing out competitors; but the mercantile community in China may be forgiven for a certain amount of scepticism as to the claim of a transport company to be qualified to represent the true interest of the trader. None the less, the question of freight charges and the views of the Conference become factors of permanent importance from this time in the general commercial relations of China.

The entrances and clearances of shipping under the cognizance of the maritime customs at the treaty ports

are, as was pointed out above, an index to the progress of the business of shipowning and of the trade in general, but not to the relative progress of the trade of different foreign countries. The totals for the coast and foreign trade may be compared with those of the earlier period, but the figures for 1884 are misleading without further analysis.

SHIPPING ENTERED AND CLEARED IN THE FOREIGN AND COAST
TRADE OF CHINA IN 1884.

	No. of entrances and clearances.	Tonnage (million tons).
British . . .	14,141 . .	12.1
Chinese		
(a) foreign-built type	3,533 . .	2.9
(b) junk . . .	1,092 . .	.09
German . . .	1,758 . .	.9
Japanese . . .	296 . .	.2
American . . .	[2,381] . .	[2.1]
,, 1883 . . .	593 . .	.15

The figures show the enormous preponderance of British interests, with the growing competition of the natives in what had earlier been regarded as a foreign monopoly. But the figures for the United States are utterly misleading, owing to the temporary transference of Chinese vessels to the American flag during the political complications: the 1883 figures represent the real position much more accurately. It is noteworthy that, in the decade from 1875 to 1884, the total movement of steam tonnage had grown from eight to nearly eighteen millions, while that of sail had fallen from a million and a half to less than a million. A further analysis is necessary to show the relative importance of the coast and foreign trade.

ENTRANCES AND CLEARANCES (a) IN THE FOREIGN TRADE,
(b) IN THE COAST TRADE.

	Foreign.		Coast.	
	No.	Tonnage (million).	No.	Tonnage (million).
British	3,126	3·033	11,015	9·118
German	709	·428	1,049	·510
Japanese	296	·214	—	—
American	187	·114	[2,194]	[2·024]
Chinese	211	·092	4,414	2·899

These figures illustrate the enormous relative importance of the coast and river traffic of China, as well as the practical monopoly enjoyed by the British and Chinese shipowners in that sphere. On the whole, the period shows a decline in German activity, a total collapse on the part of the United States, with large increases to the credit of British and Chinese shipowners.

The diagrams of the export of British produce to China afford a rough measure of the effect of the treaties and the opening up of new markets. Before 1842 we find two maxima of about a million and a quarter, followed by corresponding minima; the natural inference is that these maxima represent something beyond the effective consuming capacity of the China market. Between 1842 and 1857 are again three well-marked maxima of about two and a half millions, the third being merely a point in the great upward movement culminating in the next period. Of the two low points, the one is slightly above the previous maxima, while the other is depressed by other than commercial and economic causes. The smoothed line at about the level of one and three quarter millions may perhaps be taken as representing the normal value of the market under the conditions

introduced by the Treaty of Nanking, as against three-quarters of a million before 1842. The comparison between the optimistic prophecies of those responsible for the treaty and the actual figures is not uninteresting.

Next comes the time of violent fluctuations, associated with the Treaty of Tientsin and the crisis in the cotton trade, followed by a few years of steady and rapid progress, until, in 1870, we seemed to have reached another maximum point at a little over nine millions, a point which is reached again in 1881. From 1875 onwards, the smoothed line marks about eight millions as the normal capacity of the market, and indicates a fairly heavy gain from the Treaty of Tientsin and the methods of the new diplomacy.

The suggestion of the diagrams is borne out by numerous facts already discussed. The increase of our exports to China—an increase mainly associated with cotton goods—depended on the expansion of the area and population open to our trade, rather than on the increased use of our goods in the original markets. If we consider the vastness of the native population within reach of our goods at the opening of the trade, we are forced to the conclusion that we were no nearer capturing the native markets, in the sense of supplying the everyday needs of the masses, in 1884 than in 1834. We supplied miscellaneous articles which either appealed to special classes only, or were, from their cost, luxuries beyond the means of the majority of consumers; in other words, we were dealing with a market essentially inelastic in so far as concerned the staples of our trade. So a permanent increase could only be expected from the opening up of new areas, either by the increase in the number of open

ports or by improved conditions of inland transit for our goods. Hence the importance of the question of transit passes and inland taxation. The steady increase in the minor articles of the type dealt in by the general village store—the cheap novelties which appeal to the masses—side by side with the stagnation at the end of the period in the import of the great staples, further enforces the above view as to the peculiar character of the China market. The East India Company seem to have been right, and Sir Henry Pottinger and the optimistic private traders in error as to the real commercial possibilities of this region. The methods and advantages which enabled us to annex for the products of our machine industries most of the markets of the world were useless in dealing with the Chinese; it was one thing to cease to import cotton goods from them, it was quite another to reverse the process as we were doing with considerable success in India. The economic self-sufficiency of China was perhaps the most formidable barrier which we had as yet encountered in our career of industrial and commercial expansion.

CHAPTER IX

DEVELOPMENT OF SPHERES OF INFLUENCE

‘I NEED not descant upon the great importance to England and to India of opening up a trade with the south-west frontier of China for British and Indian goods and Chinese products. I learnt from the caravans I met of Chinese traders, and from other authorities during my travels, that no difficulty will exist in our *merchants* entering the frontier towns of China; and all the Chinese assured me that there were no guards or restrictions on *merchants*.’

These remarks of Assistant-Commissioner Richardson, in 1835, may be said to introduce on the stage of practical politics the question of communications between India and south-west China: from that time the idea of a direct route has never been absent from the minds of administrators and explorers. The gradual extension of our Burmese dominions gave more point to the proposal, but it failed to excite any enthusiasm on the part of the Indian Government. The moving force came from the commercial classes in England, who, from 1860 onwards, were in a position to bring considerable pressure to bear on the authorities at home. The early memorials laid stress on the need for new markets for our expanding machine industries, which threatened to outstrip the demand of the world, and optimistic estimates were put forward of the value of south-west China as a market for our manufactures. These estimates were

hardly supported by our experiences of other parts of China; but failure in one direction only seemed to add fuel to the desire for still more extended schemes.

Between 1860 and 1870 appeals for Government aid were frequent from Chambers of Commerce, and, as a consequence, in 1866, Lord Cranborne, over-ruling the objections of the Indian Government, sent instructions for a preliminary survey of the route. A survey of the eastern route, towards the Mekong, was actually started, only to be abandoned after fair progress had been made. The Indian Government was steadily hostile both on the ground of expense and of the great political danger involved in the undertaking. It maintained, in 1870, that the scheme was a generation too early. This was the situation which inspired a strong memorial to Gladstone from the Associated Chambers of Commerce in 1873. In this they drew attention to the nearness of the Pacific ports of the United States, and the growing severity of American and European competition in the markets of China; they stigmatized the attitude of the Indian Administration as 'unwise, contradictory, and wholly unsatisfactory; nay, even slighting to the manufacturing and commercial bodies of this kingdom', and demanded the completion of the survey to the Mekong; they pointed to the privileges obtained by the Russian treaty with China in 1860, and more particularly to the danger from French schemes in the south-east and east of the Indo-Chinese peninsula. Not for the first time in Indian history the energy of the French was destined to provide a stimulus for the conservative British official. Moreover, the situation in Burma was changing; for some time the Administration had been coquetting with the plan of a route further west, via

Bhamo. So the Home Government concluded that it was necessary to complete a survey of some kind ; though it was maintained, on behalf of India, that she ought not to be saddled with the cost, as the project was really imperial, and the original objections of the Indian Administration, particularly in regard to the eastern route, had not been removed by subsequent experience.

The upshot was the expedition for the exploration of the Bhamo route, the route always preferred by the periodical embassies from Burma to Peking. Our ambassador at Peking, consulted on the matter, was ready to make the necessary arrangements with the Chinese Government, but did not conceal his opinion that the expedition would not have such great results as were anticipated by its sanguine projectors. It was only rendered possible by the fact that the long rebellion in Yunnan was now practically at an end and Chinese Imperial authority re-established. The mission was to be purely for exploration and report ; it had no diplomatic powers, and was not authorized to negotiate with local officials for any concessions, political or commercial. It was forbidden to have any intercourse with Roman Catholic missionaries or with any rebels against the Chinese Government, and the guard was to be dispensed with, if possible, as soon as the frontier was crossed. In short, every precaution was to be taken to avoid exciting Chinese susceptibility. None the less, Mr. Margary, on his way to meet the mission, was traitorously murdered after being treated with marked civility, while the mission, attacked by a large body of troops, extricated itself with the utmost difficulty.

The effect of the murder on our relations with

Peking has already been noticed : the settlement of the Yunnan trouble in the Chifu Agreement, finally ratified in 1886, gave the British Government the right to station officers at Tali or elsewhere for five years to observe the conditions of trade. The opening of the trade might be proposed by the British at any time or on the expiry of the five years. A Convention of the same year, dealing with Burma and Tibet, agreed that the Burmese should send the usual decennial missions to Peking, but that England should do as she pleased in the matter of her own rule in Burma. The frontier was to be defined and commercial conditions arranged by a frontier trade Convention. Owing to local difficulties England consented to countermand the proposed mission to Tibet, but this was not to relieve China from the duty of exhorting the Tibetans to more reasonable courses.

The settlement of relations in the south on some secure and definite basis was rendered the more necessary by the progress of French aggrandizement in Tongking, following on the declaration of a protectorate over Annam in 1884. The Franco-Chinese embroglio was ended by the treaty signed at Tientsin in June, 1885, a treaty which seriously affected British interests. From 1880 onwards, the character of the Chinese problem is profoundly modified : the pressure from British commercial and other interests continues, but the action of our diplomacy is to a greater and greater extent controlled by the policy of other Powers, each seeking its own advantage at the expense of its competitors and of China. The 'concert' had not worked without friction when purely commercial interests were at stake ; it came to hopeless shipwreck on the rock of territorial aggrandizement. British diplomacy

was compelled to adapt itself, however unwillingly, to the new conditions, though it recorded a formal protest stereotyped in the phrase 'the open door'.

The commercial arrangements contemplated in the French treaty were such as might easily prove detrimental to British trade in south China. Access to China from French territory was only to be permitted under passport, issued on the application of the French authorities, while trade was to be limited to certain towns which were to be in the same position as the treaty ports on the coast. Goods passing between Tongking and Yünnan and Kwangsi were to be granted a reduction on the general Chinese tariff, as fixed by treaty, but this concession was not to apply to the frontier of Kwangtung where an open port already existed. In other words, differential duties were to be set up in favour of France in defiance of our treaty rights. Moreover, China, when making railways in this region, must have recourse to French industry, and the French Government would give facilities for recruiting a staff in France; though this was not to be regarded as constituting an exclusive privilege for France. The commercial Convention, in the following year, proposed to assimilate the conditions on the frontier to those at the treaty ports; but a further Convention, in 1887, defined the special privileges contemplated in the treaty. Imports were to pay the tariff duties less three-tenths, and exports the duties less four-tenths; at the same time France was to enjoy, of right, all commercial privileges granted in any treaties regulating intercourse between China and the countries to the south and south-west of Annam. A supplementary Convention, in 1895, carried the principle of special concessions still further. Power

was taken to prolong the Franco-Annamite railways into Chinese territory, and, furthermore, China was bound in the first instance to apply to the skill and capital of French subjects to aid in the development of the mining industries of the three southern provinces.¹

The British Government could not view without concern the prospect of differential treatment for French goods entering China by way of the land frontier, and the danger of railway concessions leading to commercial monopoly. In fact, the establishment of inland treaty ports, accessible only by routes controlled by a single Power, clearly involved a revolutionary change in Chinese commercial relations. The seaports are open to all, and there is small opportunity for differential treatment; the control of a land route offers unlimited means of penalizing a rival without breaking the letter of the treaties. The experience of Europe and the United States is conclusive on the point. The problem in China was the more serious in that access to south China via Canton was still impossible, owing to the denial of the right of inland navigation to foreigners. In this matter no progress had been made since the early days of intercourse; the south, perhaps from its long acquaintance with Europeans, was always the most opposed to their admission to further privileges. It was represented by the framers of the treaty, with a certain amount of plausibility, that the Russian treaty of 1881 was a precedent for the granting of special concessions on the land frontier; but there was a vast difference in

¹ 'Le gouvernement chinois fera appel pour les mines à exploiter, . . . à l'aide d'ingénieurs et industriels français.' Supplementary Convention, 1895.

practice between the concession of advantages on a distant land frontier, where competition of other European Powers was out of the question, and differential treatment which would at once affect the old-established trade of the ports of south China in the hands of the maritime Powers. Here was not merely a case of extorting concessions by force—a recurrence to the usual old-fashioned method—but the introduction of a novel principle, since such concessions hitherto had applied to all Treaty Powers alike. We are clearly entering on an entirely new phase in the relations of China with foreigners.

Frequent protests and warnings were of course addressed to Peking against the violation of the most-favoured-nation clause in our treaties, and the Chinese were ready enough to give assurances; but their assurances merely represented wishes which they were unable to carry out in the face of superior force. A point-blank refusal of the French demands was out of the question. Though diplomatic pressure might lead to some modifications in the wording of the treaties, the result was the same. The strength of the French case rested on the advantage of their geographical position; this could not be affected by any mere verbal alterations in the treaties. The only effective reply to the French claims was to be found in the grant of counter-concessions by China to England. The Chinese, however unwillingly, were forced to recognize this; so we can trace a series of British concessions and advances parallel to those extorted by France, and in the same region.

Following on the Convention of 1886 we find in 1890 and 1893 agreements as to opening trade, and the residence of British officials at Yatung, while,

in 1894, the Convention of 1886 was completed by an elaborate arrangement dealing with the rectification of the frontier and the organization of overland trade. The Chinese duties were to be those of the general tariff, less three-tenths on imports and four-tenths on exports; transit passes were to be issued as at the treaty ports, while China might appoint a Consul at Rangoon and England at Manwyne. The agreement was local and special, following closely the lines of the French agreement discussed above. A further modification was introduced in 1897, when, in consideration of England waiving her objections to the alienation of Chinese territory in Kianghung to France, in contravention of the Convention of 1894, the Chinese Government promised to consider whether the state of trade justified the construction of railways in Yünnan, and agreed to connect them, when constructed, with the British lines in Burma. A still more important innovation was the opening of the West River to seaborne trade, Wuchau being declared a treaty port. This, as the mercantile community had advised years before, was the only effective reply to the French advance in the south; it was calculated to prevent the diversion of the trade of the hinterland from Hongkong to Tongking, by providing water-transport as an alternative to the French railways. The renewal of the survey from Mandalay to the frontier at Kunlon Ferry was further evidence that the British Government realized the necessity of making some move as a reply to French activity.

But French plans inevitably expanded with the success of their policy of pressure. In 1897-8 France demanded the right to construct a railway from the Tongking frontier to Yünnan city, assurances that no

Chinese territory bordering on Tongking should be alienated, and the lease of Kwangchau Bay as a coaling station. The last was a somewhat new departure in their policy, as it concerned Chinese territory proper. British diplomacy, in reply, demanded assurances that no exclusive privileges in the matter of railways and mines should be granted to France, and no territory in the three southern provinces alienated, together with the more solid compensation involved in the opening of Nanning to trade, the extension of the Hongkong boundaries and a railway concession from Shanghai to Nanking. Japan was also moved to ask for assurances of the non-alienation of Fokien. The French position was further strengthened by the opportune death of a missionary, and they even pushed their claims so far as to object to the building of a railway from Kaulun to Canton by a British syndicate, on the ground of injury to French interests in south China!

It may be doubted whether the railway routes to Yunnan and south China, judged on a purely commercial basis, would ever give a reasonable return for the capital invested, still less any real compensation for the friction caused by them in our international relations; but the China Association, in a letter to Lord Salisbury, goes to the real root of the matter. 'Holding the opinion that these several railways are so many political stakes driven into regions which an endeavour will be made one day to encircle by a cordon, the Association has noted with grave regret the admission of French interest in a province which constitutes the hinterland of Hongkong.' It must be admitted that events in other parts of China afforded considerable justification for these fears. The policy

of squeeze was being applied to China in the north no less than in the south.

In 1897 the Germans seized Kiaochau, the missionary once again offering the necessary pretext.¹ But in advance of official movement the German press was discussing with the greatest frankness the exploitation of mines and railways for the sole benefit of Germany. Before long, we find official Germany maintaining that Shantung is in a special position, and not open without reserve to British enterprise, though the Yangtse region is so open to Germans. This was inevitably followed by the claim that the Shantung section of the Tientsin-Chinkiang railway must be practically a German instead of an Imperial Chinese undertaking. In spite of diplomatic disclaimers, it is evident that the earmarking of Shantung was a serious interference with the commercial and other interests of the Treaty Powers. Almost at the same moment, Russia was announcing that she could not permit the Chinese provinces bordering on the Russian frontier to come under the influence of any other nation, and illustrating her views by attempting to procure the dismissal of British engineers from the Shanhaikwan railway. She was pressing on to the economic as well as the political control of north China, while France was aiming at the south, the most convenient weapon in each case being the railway. It is worth remark that German diplomacy justified the special railway concessions in Shantung by quoting the example of France in the southern provinces.

¹ 'It has this blot upon it, that it makes the murder of German missionaries a counter for the purchase of commercial advantages.' Macdonald to Salisbury, on the German demands, Dec. 1, 1897.

While the European Powers were thus pressing China for special and exclusive advantages, Japan, following the older and more generous fashion, had obtained, as the result of her successful war, some important commercial benefits which were shared equally by all the Treaty Powers. The Treaty of ✓ Shimonoseki, in 1895, ranks high in the great series of general treaties which have determined the commercial relations of China with the rest of the world.

(1) Stripped of her territories and revenues, China was compelled to grant to foreigners many commercial privileges which she had hitherto steadily refused. New treaty ports, the navigation of the upper Yangtse, the right to rent warehouses in the interior, to import machinery and to start manufactures in the ports, under foreign control and ownership—these had been the aim of commercial men and diplomatists for years past.¹¹ They were extorted finally as the penalty of an unsuccessful war. In this case again commercial concessions were inevitably and unfortunately associated in the Chinese view with foreign political and territorial aggression. The old method of negotiating by armed force, abandoned by England for a time, was revived by other Powers, not seldom for individual and selfish objects. Rival interests had made a real ‘concert’ impossible: our representatives found the task of negotiating for concessions which would satisfy the rest of the Powers a never-ending disappointment. The concessions on the part of China were for the benefit of all, but the Powers found it hard to agree as to the price to be paid in return. As a consequence, all the concessions, from 1885 onwards, were, from the Chinese point of view, extorted by force without compensation. They were either without excuse, or the

penalties of acts of violence on the part of Chinese subjects, the missionary being the favourite pretext. But the penalty was often out of all proportion to the crime, and China had good reason for regarding the policy of the European Powers as an open attack on the independence of the Empire. Even the British demands involved a great deal of 'moral' pressure, and were in part the indirect result of the aggressive action of other Powers.

The 'concert' was a hopeless failure, and in its place we have the gradual growth of the new principle of preferential concessions, developing into the policy of 'spheres of influence'. The policy was pursued, of course, without any regard to the claim of China to rank as a Sovereign Power; but the nation possessing the main part of the foreign trade of China could hardly be expected to view with equanimity the possible commercial results of this policy. The principle of counter-concessions was only of local and partial application, unless we were prepared to embark on a career of territorial aggrandizement; the alternative was the negative policy of the 'open door' and the integrity of China, when the door was already closing and the integrity was a thing of the past. Our policy was still to open China to the commerce of the world, and our estimates of the actions of other Powers depended on how far they tended to this end.¹

Hence we approved of railways so long as they were not obstructed by fiscal or administrative regulations,

¹ 'Speaking generally, it may be said that the policy of this country is effectually to open China to the commerce of the world, and that our estimate of the action of other Powers in the Far East depends on the degree to which it promotes or hinders the attainment of this object.' Salisbury to Macdonald, March 28, 1898.

and so long as treaty rights were not impaired thereby. We might and did receive assurances from the Chinese Government, particularly in the case of the Yangtse region; and these were genuine, in the sense that the Chinese were strongly opposed to any alienation whatever of their territory or sovereignty; but the value of such assurances, in the absence of Chinese independence, was measured simply by our own capacity to enforce them in the face of the policy of other Powers. The alternative was to arrive at some international agreement or guarantee, and our anxiety was shared in this matter by the United States whose interests were identical with ours in commercial matters.¹

The result was the Anglo-German Agreement of October, 1900, setting forth the principle on which the intercourse of foreign Powers with China should be conducted. The Agreement declared that the ports should remain open to all, and neither England nor Germany would make use of internal complications to gain territorial advantages, while both would support the integrity of China. On the communication of this agreement to the other Powers, both Russia and France asserted that the integrity of China had always been the basis of their policy, and they accepted the prin-

¹ The United States refused absolutely to recognize the doctrine of 'spheres of influence'. 'Her Majesty's Government, while conceding, by formal agreement with Germany and Russia, the possession of "spheres of influence or interest", in which they are to enjoy special rights and privileges, particularly in respect to railroad and mining enterprises, has, at the same time, sought to maintain what is commonly called the "open door" policy, to secure to the commerce and navigation of all nations equality of treatment within such spheres. The United States Government will not commit itself to recognition of any exclusive rights to any Power whatever.' Choate to Salisbury, Sept. 22, 1899.

ciple of the document, of course with the reservation that it applied to the future and not to arrangements already existing ! In fact, the principle of the integrity of China was accepted with surprising unanimity ; it is not difficult to appreciate the cause. If territorial aggression were to continue, the turn of other Powers might come. France for the present was fully occupied in Tongking, Germany in Shantung ; France had already insisted that China should not alienate any part of the southern provinces, while Germany was naturally anxious to keep open the rich Yangtse region where she could find no excuse whatever for territorial claims. Russia had her own designs. But it was a very partial integrity which was thus graciously assured to China, and such assurance is valid only so long as the conditions of the Far East do not change and the Powers are not in a position to disregard it. It is a law without a sanction, and, however satisfactory to diplomacy, can hardly be taken seriously by a man of business. It is not to be expected that the European Powers, should the opportunity offer, would refrain from applying to the full in their spheres of influence in China, and at the sole expense of the Chinese, that economic policy of exclusion which they follow at some cost to themselves in Europe. Still we may perhaps consider that there is a pause in the policy of territorial aggression, in so far as China proper is concerned, though the more subtle method of gaining control is pursued with the greater energy.

The railway concession has been responsible for many volumes of diplomatic correspondence during recent years, and in the battle for concessions England and the United States have not been behindhand. The private speculator appears on the

scene to worry the Chinese Government, but behind him is the whole diplomatic force of his country. The subject is bewildering in its complexity and in the kaleidoscopic character of its rapidly changing phases; it is therefore only possible to indicate briefly the points of connexion between the railway development of China and the movements of general commercial policy.

The railway question becomes critical from the time of the war with Japan. Russia opened the ball by claiming special rights in Manchuria as the reward of her disinterested efforts in the matter of the retrocession of the Liaotung peninsula to China. The demand for the extension of the Manchurian railway to Port Arthur was insisted on, in 1898, as necessary 'to assist in protecting Manchuria against the aggression of other Powers'. In the matter of Manchuria, which was undoubtedly in the sphere of her political influence, Russia, for the moment, gained her ends; but the Chinese line from Tientsin to Niuchwang was financed by British interests which could not be surrendered to suit the Russian plans. The result of much negotiation was the exchange of identical Notes by the two Powers early in 1899. Russia agreed not to seek for Russian or other concessions in the Yangtse region or to oppose the British plans; while England was to refrain from interference north of the Great Wall. In other words, the 'sphere of interest' theory was now openly applied to railway as well as to other concessions. By a supplementary Note, the rights of the British and Chinese Corporation, under the loan contract, over the section from Shanhaikwan to Niuchwang were reserved, and the Chinese Government was at liberty to appoint British engineers and

a European accountant; though this was not to constitute a right of property or foreign control, nor could the line be alienated to a non-Chinese company.

A more serious fight took place over those concessions which threatened to trench directly on British interests in the Yangtse region. In 1897, a Belgian syndicate obtained a provisional concession for the great trunk line from Peking to Hankau. The syndicate found the terms too onerous, so the matter threatened to drop through. But early in 1898, we find the French and Russian representatives using great pressure to prevent the collapse of the scheme. There was clearly ground for alarm lest Belgium were merely a stalking-horse for these Powers, particularly as a Russian agency was aiming at the control of the communications of northern Shansi. In spite of the assurances of the Tsungli Yamen, the scheme was rushed through in the summer of 1898, the method of procedure being a direct slight to England. It was necessary, in the opinion of our ambassador, to teach Chinese officials, and Li Hungchang in particular, that we were not to be thus slighted with impunity; so he proposed that we should demand certain compensations, not as a concession but as a punishment for bad faith. The demand, endorsed by the Home Government, was for a written assurance that all British concessions under discussion at the time should be granted at once, on terms identical with those of the Peking-Hankau grant; otherwise we should regard the breach of faith on the part of the Chinese as 'an act of deliberate hostility against this country and shall act accordingly'.¹ The Yamen had no choice but to apologize and agree to these terms.

¹ Balfour to Macdonald, August, 1898.

In the case of the other trunk line from the north, that from Tientsin to Chinkiang on the Yangtse, we inevitably came into collision with the interests of Germany. There was naturally a considerable difference of opinion as to the extent of German privileges in the Shantung region, and we had formally reserved our rights in the matter.¹

The question became critical in view of the lapse of the concession held by a nominally Chinese syndicate for a Peking-Chinkiang line. The German minister, at the beginning of 1898, was objecting that no line could be constructed through Shantung without the concurrence in Germany; but none the less, in August a contract was signed with an Anglo-American syndicate. Eventually the German and British financial interests arrived at a compromise, but the railway question had led to many critical moments for diplomacy in 1898. In fact, in the summer of that year, England was forced to depart somewhat from her usual negative policy, in view of the threats used by other Powers to China. 'You may inform the Tsungli Yamen, if you see no objection,' wrote Lord Salisbury to our ambassador in July, 1898, 'that Her Majesty's Government will support them against any Power which commits an act of aggression on China by reason of China having granted to a British subject

¹ 'His Excellency (the German ambassador) maintained that Germany, by her occupation of Kiaochau and her agreement with China respecting Shantung, has acquired a special position in that province which consequently is not unreservedly open to British enterprise, whereas Great Britain, not having occupied any place in the Yangtse region, that region is still unreservedly open to German enterprise; consequently my suggestions did not contain any element of reciprocity. To this contention I was, of course, entirely unable to assent.' Salisbury to Lascelles, May 13, 1898.

permission to make or support any railway or similar public work.' Still, we had no great reason to be dissatisfied with the result of the battle of concessions at the moment ; we had obtained the lion's share and at the same time had formally reserved, as against our rivals, our treaty right to equality of treatment.¹

At the end of 1898, the British concessions amounted to 2,800 miles, including the Yünnan-Yangtse and the Hankau-Canton lines ; Russian to 1,530, including the Manchurian section ; German to 720 ; Belgian to 650 ; French to 420 ; and American to 300 (reckoning half interests at half the estimated length of the line). The Manchurian line was mainly strategical, while the French line from Tongking to Yünnan city was of very doubtful commercial value. The French lines from Langson to Lungchau and Nanning might feed the West River route instead of diverting traffic from it ; and in the same way the line from Pakhoi inland was likely, if ever constructed, to benefit British rather than French commerce. The Anglo-Italian, or Peking, Syndicate had obtained railway and mining rights in Shansi and Honan, while the Hongkong and Shanghai Bank was financially interested in the northern line from Peking and Tientsin to Niuchwang. British interests had gained the control of the proposed line from Shanghai to Nanking, probably one of the most profitable in China, with the right to various extensions ; and also of the Kaulun-Canton line destined to connect with the southern trunk line from Hankau. The surveys for the

¹ 'I have consistently informed the Chinese Government that, as to differential rates and privileges, we want none ourselves, and cannot admit that other nationalities have a claim to them.' Macdonald to Salisbury, July 23, 1898.

Burma-Yangtse route were already in progress. In short, British and American interests were supreme over the whole of the Yangtse region, with the single exception of the Belgian line, and they were only partly excluded from the northern regions. It could not be said with justice that a single genuine British proposal had failed.

The Japanese War was indirectly responsible for another phase in the growth of relations between China and foreigners.¹¹ The financial necessities of China and the payment of the indemnity provided another bone of contention for the Powers and a new lever for inducing the acceptance of western ideas by the Chinese.¹¹

In the winter of 1897, negotiations were on foot for a loan, guaranteed by the British Government, which would enable China to liquidate the Japanese war-indemnity. The security for the loan would be the native and maritime customs, with the salt tax and Likin, but the British Government required certain concessions in addition. These included the railway from Burma, a guarantee of the non-alienation of the Yangtse region, greater freedom of internal trade, with the abolition of Likin on foreign goods in the treaty ports; and, finally, the opening of Taliénwan and Nanning to foreign trade. Russia protested against the loan, on the ground of the balance of influence, while France objected to the railway clauses and the opening of Nanning. Russia also offered an alternative loan on easier terms. The Chinese, in a dilemma, decided to refuse both offers. But British dignity had been offended: we had been prepared to abandon our usual policy in such matters, as a favour to China, and our reward had been a serious rebuff;

so China must pay the penalty. 'Let them permit me to report that China was ready to open inland navigation to steamers; to establish treaty ports at Nanning and Hsiang T'an; and to give reasonable security to trade by a pledge against alienation of the Yangtse region to another Power, and the rejection of our loan might be forgiven.'¹

The loan was finally arranged under Anglo-German auspices, with the Likin as security, under the control of the Inspector-General of Maritime Customs²; but China had already given the assurances demanded as to the Yangtse, and had promised to open shortly inland navigation to steamers. The British ambassador was prepared to treat these concessions as spontaneous, in order to avoid giving Russia an excuse for further demands owing to the rejection of her alternative proposal. A further assurance was that the Inspector-General of Customs should be an Englishman so long as England should maintain her preponderance of trade: this was necessary since Russia was trying to insist on a Russian for the post.¹¹ Thus the unfortunate Chinese officials learnt to their cost that the friendly offices of the foreigner might be as dangerous to their policy of exclusion as his open hostility. They took the lesson to heart and attempted to apply their experience in dealing with the railway problem.¹¹

¹ Macdonald to Salisbury, Feb., 1898, reporting interview with the Yamen.

² Sir Robert Hart found it impossible to take over immediately the collection of the Likin on general merchandise, as it would need several hundred Chinese-speaking Europeans; he could only arrange for the remittance by the existing native collectors. Hart to the Hongkong and Shanghai and Deutsche Asiatische Banks, March 11, 1899.

Sharing as they did the fears of the British mercantile community, that railways constructed by foreign capital might be made an excuse for territorial claims, Chinese officials put every possible obstacle in the way of such undertakings. Thus they steadily refused the promised British concessions in Yünnan, and in cases where they had no choice but to yield, as to the Germans in Shantung and the French in the south, they were most anxious to dissociate the railway concessions from the penalty exacted for the murder of missionaries, with a view to avoiding the establishment of a new and dangerous precedent. At last, as the only means of checking the designs of the foreigner, they decided, at the beginning of 1899, to sanction no more lines of any kind for the present.

A memorial from the Yamen and the Board of Mines and Railways, in December 1898, pointed out that the great trunk lines, though costly, were useful and necessary to the Government, while the traders, looking to immediate profits, were in favour of smaller branch lines. But the investment of Chinese capital in such branch lines might damage the prospects of the more important undertakings; hence they proposed that no further construction be sanctioned for the present.

The tenor of the new mining and railway regulations throws light on the real motives of Chinese policy. In them it was stated that the concessions in Manchuria, Shantung, and Lungchau were an international matter and must not be cited as a precedent for any other undertakings; though this, as our ambassador pointed out, was in contravention of our rights under the most-favoured-nation clauses in the treaties. Mines and railways were not to be in the

same hands, and Chinese capital was to be employed as far as possible ; a minimum of three-tenths of the total capital must be in Chinese hands before foreigners might take shares or resort be had to foreign loans. Furthermore, China would not be responsible for any loan not sanctioned by the Board,¹ though she demanded a large percentage of the profits for the benefit of the Government. By another rule, disputes between Chinese and foreign merchants were to be settled by a form of arbitration ; though this, again, was a direct contravention of the treaties. As an inducement to the natives, rewards were to be granted to Chinese promoters raising a capital of 500,000 taels, or contriving that half the shares in a company were Chinese-owned. The essence of the whole matter was summed up in the thirteenth clause :—‘ The control of all railway and mining companies, whether they have foreign shareholders or have borrowed foreign money, must rest with Chinese merchants : so as to preserve sovereign rights.’ In fact, the enforcement of these regulations in their entirety would necessarily be an absolute bar to the further investment of foreign capital in Chinese undertakings. This was precisely the intention of the Government. We protested, of course, but the Chinese had the advantage that the foreigner was still without any right to work mines (or railways) apart from special permission, or to buy land other than for missionary purposes. The best that we could do at the moment was to claim priority for British proposals, in the event of any change in Chinese policy in the future.

CHAPTER X

COURSE OF TRADE FROM 1885 TO 1894

To attain to a clear conception of the development of Chinese commerce during the last twenty years is a task of infinite difficulty. The changes in its character and organization are, in their simplest presentment, revolutionary ; in attempting to estimate their real significance we are involved in the consideration of some of the most difficult and complicated problems in the realm of economics. Variations in the political relations of China, internal and external, add not a little to the difficulty of the problem.

For some purposes the period must be subdivided. The year 1885 may be taken, not unreasonably, as marking the beginning of a new era of political and economic activity in the Far East on the part of the great western Powers. The seizure of Chinese territory and the earmarking of 'spheres of influence', the rush for concessions for the exploitation of the vast natural resources of the country, the subsidizing of shipping and the other methods employed to obtain a share in the existing or expected trade—all are aspects of one and the same movement. The eagerness of the capitalists was so great, in 1885, that they entirely over-estimated the immediate possibilities of wealth, and by their anxiety to come to the aid of China, on any terms whatever, excited in the minds of the natives a very natural suspicion as to the disinterested motive of their philanthropic offers.

1 The war with Japan marks a turning-point in the development of China perhaps of more ultimate importance than the year 1885. The Treaty of Shimonoseki

initiated a far-reaching change in the internal economy of the Empire. Foreign capital and foreign methods of industrial organization at length obtained that free access to the great centres of population in China which had for years been the object of the most strenuous effort. The results of this revolution can be fully estimated only by the next generation, but from the very first the essential conditions of the foreign commerce of China were profoundly modified. Capital is cosmopolitan, and its operations are not likely to be controlled to any great extent by a mere sentimental regard for national interests.

The last ten years have also seen the real beginnings of economic railway development and the modification of those conditions of transport which have prevailed, practically unaltered, throughout the previous intercourse of western nations with the Chinese Empire. There is good ground, then, for considering 1894 as the conclusion of that system of trade and intercourse which began fifty years before.

A mere survey of statistics does not at first suggest any very violent change in commercial conditions between 1885 and 1904. The imports and exports of China, as measured in Haikwan taels, show, on the whole, a steady progress, marked in particular years by the usual fluctuations of business and by one great depression, due to political causes, in 1900.

AVERAGE VALUE OF NET IMPORTS OF FOREIGN GOODS AND EXPORTS OF CHINESE PRODUCE (IN MILLIONS OF HAIKWAN TAELS).

	Imports.	Exports.
1885-8 (average)	100.7	80.1
1889-92 . . .	126.7	96.8
1893-6 . . .	171.9	129.7
1897-1900 . . .	222.0	169.3
1901-4 . . .	313.6	209.4

The only point worth notice, in the figures as they stand, is the growing disproportion between the values of imports and exports in the last two periods, a disproportion which seems to imply something more than a possible change in statistical methods. It is not unconnected with the progress of foreign investment in local undertakings, since the conclusion of the treaty with Japan. A further matter for discussion arises if we convert silver to gold values. A single comparison will suffice.

	Imports.		Exports.	
	Mill. Hk. tls.	Mill. £	Hk. tls.	Mill. £
1891 . .	134.0	34.3	100.9	24.8
1900 . .	211.0	34.7	159.0	24.7

Thus, in ten years, though 1900 was a minimum year, the silver figures show a 50 % increase, while the value in gold is practically the same. The precise significance of this fact varies according as we consider the producer and consumer in China or a foreign gold-using country, or the middleman and merchant engaged in carrying on the trade.

A further question is raised by the consideration of the liability of China for foreign loans or indemnities. The figures, however, conceal under their general totals vast changes both in the character of the commodities entering into Chinese commerce and their sources or distribution abroad. Unfortunately, Chinese statistics fail to give exact data as to the distribution of trade, owing to the disturbing influence of the entrepôt business of Hongkong. For British trade it is possible to fall back on our own accounts; for other countries, a fair idea of the changes can be gathered in dealing with special commodities and with shipping.

DECLARED VALUE OF EXPORTS OF BRITISH PRODUCE TO CHINA
AND HONGKONG, AND VALUE OF GROSS IMPORTS FROM CHINA
INTO THE UNITED KINGDOM (IN MILLIONS STERLING).

	Exports.	Imports.
1885-8 (average)	8.57	8.76
1889-92	8.23	5.89
1893-6	7.10	4.22
1897-1900	8.11	3.52
1901-4	10.31	3.04

Exports show little progress in value, while the drop in imports evidently implies some vital revolution in our direct commercial relations with China which has affected only the one side of the balance. We must again turn for the explanation to a more detailed analysis.

As to the character of the trade, accurate and elaborate information is available in the reports issued by the imperial maritime customs ; the fact that exports as well as imports are taxed, and that the customs organization is under competent European direction, adds not a little to the value and completeness of the statistics. Only the very widest changes need be noted here.

In 1875 tea accounted for 53 % and silk for 36 % of the exports ; minor articles for the rest. In 1885, the minor articles reached 20 % of the whole ; while in 1904, tea had fallen to $12\frac{1}{2}$ %, or little more than the value of raw cotton exported, silk was still 33 %, and the miscellaneous articles had reached the important total of 44 %. There is evidence here of a vital modification in the general character of the commodities exported—a modification which may have some essential connexion with the change in their distribution.

In certain directions the shipping statistics illustrate the general movement of commerce, though they must be used with the reservations already noted in the previous period. They mark the general volume of trade and the relative importance of the home and foreign sections; but they are far from being a sufficient guide to the respective shares of that trade enjoyed by the various shipowning Powers.

SHIPPING ENTERED AND CLEARED IN THE FOREIGN AND COAST
TRADE AT THE TREATY PORTS OF CHINA IN 1903.

Flag.	No. of entrances and clearances.	Tonnage (million tons).	Total value foreign and coast trade carried. (million Hk. tls.).
British	. 25,297	. 28.1	. 675
Chinese (a)	. 22,697	. 9.5	. 414
(b) junks	. 8,011	. 4	
German	. 6,424	. 7.3	. 134
Japanese	. 7,554	. 7.9	. 132
American	. 1,736	. 5	. 10.8
French	. 2,596	. 1.1	. 38.0
Norwegian	. 1,184	. 1.1	. 27.0

British tonnage has more than doubled in the twenty years, while Chinese tonnage, or rather that part of it coming under the cognizance of the maritime customs, has increased threefold; other flags have increased at a more rapid rate than the British, starting, however, from smaller beginnings. The progress of Germany and Japan is most worthy of remark. In the twenty years, the steam tonnage has grown from 18 to 28 million and the sail from 900,000 to 1,360,000, apparently through the inclusion of the native junk trade in the returns. The year 1903 is taken for comparison since in 1904 the British and Chinese figures were abnormal, owing to the war and to changes in the statistical records.

A comparison of these figures with those of 1884 will show the relative progress in the two sections, coast and foreign, made by the various competitors ; while the number of entries and clearances, side by side with the tonnage and the value of the freight carried, is suggestive as to the relative size of the vessels engaged and the possible profits on the working. Neither the first nor the second column alone is an accurate index to the true importance of the flag concerned in the transport economy of China.

The above brief summary may be sufficient to give a rough idea of the general nature of the changes in the period : a more detailed treatment may throw some light on their causes and real significance.

The trouble with France, in 1884-5, made little impression on the prosperity of China as a whole. ⁱⁱ The very defects of China, from the western point of view,—her loose semi-federal organization and lack of communications—tended to localize the political trouble and minimize the disturbance in commercial conditions. In the same way, the flood and famine which recur periodically in different regions do not show conspicuously in the general statistics. Prosperity in one province compensates for adversity in another ; and the effects of the misfortunes of China can only be recognized, theoretically, in a diminution of the sum total of prosperity or a slowing down of the rate of commercial progress.

But there are exceptions. The China market, in the view of the foreigner at any rate, was profoundly affected throughout, both in general business and in many of the special trades, by one consistently unfavourable movement. This was the continued fall in the gold value of silver, coupled with the tendency to

permanence on the part of silver prices of commodities in China. The fluctuations affected the profits of the merchant by rendering his business uncertain and a prey to speculation ; the continued fall was a serious matter for the producer in foreign gold-using countries.

The main facts may be summarized briefly. The value of the Haikwan tael, as measured in gold, in 1872, was approximately $6/8$; it declined gradually to $5/7$ in 1884, and then dropped sharply to $4/9\frac{1}{2}$ in 1885. By 1894 it had reached $3/2\frac{3}{4}$, after a temporary rise to over $5/-$ in 1890, as the result of speculation in connexion with legislation in the United States.

It is important to separate two aspects of the question. The fluctuations over short periods affected mainly the individual merchant who miscalculated the probabilities, or the bank of exchange to which he transferred his risks. The losses in this direction were naturally well marked between 1890 and 1893. The element of speculation thus introduced was certainly not favourable to the stability of commerce ; but the real interest of the movement lies in the more lasting effects produced on the prices of commodities, more particularly those imported from or exported to gold-using countries, and on the general level of domestic prices within the Chinese Empire.

It is to be regretted that before 1888 there are no statistics of much value for estimating the movement of treasure from and to China ; but a rough idea may perhaps be gained by comparing the values of imports and exports of goods, after making due allowance for freights, charges, and other items of indebtedness, and for the methods of valuation adopted by the maritime customs. There is some reason to think that between

1872 and 1880 the balance of indebtedness was steadily in favour of China, and, as a consequence, a considerable inflow of silver may be assumed. Then for some years there was no decided balance in either direction ; but from 1888 to 1894 China was considerably indebted on the total of her commercial transactions with foreign countries. A certain amount of silver left the country, though the more noticeable export was in gold, which to the Chinese was a mere commodity and readily sold under the stimulus of a high silver price. The gold must have been either hoarded or introduced from abroad by Chinese emigrants, as China does not produce any considerable quantity at home.

Such seems to have been the general movement of treasure in the period, silver being the important factor, as it provides the measure for the wholesale commercial transactions of China, both internal and external. There is a risk, however, of over-estimating the effect of variations in the quantity of silver on local prices, owing to the extreme variety and complication of the monetary system, if such it can be styled, of China, and to the fact that for many transactions in the interior the real standard was the t'iao, or string of copper 'cash', which was steadily appreciating in regard to silver ; moreover, the supply of silver might vary from glut to scarcity in different districts at the same moment, owing to the want of unity in the financial system of China as a whole. The extensive utilization of bank credits and notes further destroys the symmetry and simplicity necessary to the application of any quantitative theory. It is not necessary to press the matter, since the one central fact which is illustrated by all the various estimates,

and supported by testimony from every quarter, is that there was no general and obvious correspondence between silver prices in the China market and the gold price of silver, though some connexion may be traced in certain markets at certain times.

An interesting calculation, made in 1893, divides Chinese commodities into three groups, according as they are mainly or entirely produced and consumed in China, produced in China for export, or produced abroad and imported into China. The total of the prices of the articles scheduled in the various groups was (in Haikwan taels) :

	1870-4.	1885.	1892.
Group A (20 articles)	81.56	89.73	74.27
Group B (17 articles)	375.06	339.52	381.21
Group C (12 articles)	43.09	30.86	29.96

Another calculation for group B, based on Shanghai prices of fifteen standard exports, and expressed in percentages of the prices for 1870-4, gives a somewhat different impression.

1870-4.	1885.	1892.
15.00	14.71	14.58

The difference between the two results in group B seems to be due to the different weight allowed to certain important factors, more particularly tea and silk; the first calculation exaggerating the fall in 1885 and the rise in 1892. It is, perhaps, dangerous to argue too closely from such figures, in the absence of a careful and satisfactory method of weighing; we shall be on safer ground in dealing with the prices of special commodities. The figures only give a rough idea of the general variations, but they certainly suggest that no one simple and general explanation is applicable to all. In so far as group A is a correct

representation of the facts, it would tend to show, on the quantitative theory, that the supply of silver in relation to the domestic needs of China was less in 1892 than in 1885; in other words, silver had appreciated locally in relation to commodities. Again, there is not the least doubt that the prices of foreign imports fell greatly during the twenty years; but the prices of Chinese produce exported suffered great vicissitudes, some rising slightly, others falling considerably. The reason for this variety can only be made clear by the detailed history of the fortunes of particular commodities.¹

From the point of view of the foreign importer, cotton goods still hold the first place in the China market. The figures show a steady increase in the silver values, and imply, owing to the fall in tael prices, a still greater increase in volume throughout the period, with exceptions in particular years.

TOTAL IMPORT OF COTTON PIECE-GOODS AND YARNS (IN
MILLIONS OF HAIKWAN TAELS).

	Piece-goods.	Yarn.
1885-8 (average)	25.1	10.4
1889-92	28.0	18.8
1893-6	34.3	23.0
1897-1900	44.4	39.4
1901-4	62.5	56.1

The conclusions are remarkable. In twenty years the silver value of piece-goods had more than doubled, while yarn had grown to over five times its original value. In fact, at the end of the period, it was responsible for nearly half the total value of the

¹ The year 1892 rather than 1894 is taken for illustration, since import prices, particularly of Indian and British goods, were affected in 1893-4 by special circumstances. Even at the end of 1892 the rise had begun by anticipation.

cotton imports. On further analysis it will be found that there are marked differences before and after 1894, differences profoundly affecting the whole character of the trade. For purposes of comparison the British figures are again placed side by side with the Chinese.

EXPORT OF COTTON GOODS TO CHINA AND HONGKONG.
(MILLION £.)

	Piece-goods.	Yarn.
1885-8	5.97 . . .	.54
1889-92	6.10 . . .	.39
1893-6	4.81 . . .	.28
1897-1900	5.10 . . .	.27
1901-4	6.48 . . .	.18

The sterling values of British piece-goods exported thus show a slight increase, after the great depression in the middle period, while yarn has fallen 60 % in spite of the great relative increase of the total imports of yarn into China. The progress of the cotton trade, between 1885 and 1894, may throw some light on these peculiarities.

In 1884, Indian yarn was beginning to attract attention in the Shanghai market, and there was even a small import of piece-goods from Bombay. But the main interest of the moment was the competition between England and America for the trade in the heavier piece-goods. America held the field and seemed to be increasing her lead, though the strenuous efforts of Lancashire, in 1887-8, met with a certain measure of success. The large imports from the States in 1891 were speculative and abnormal, and scarcely profitable to manufacturers or importers. In the cheaper and lighter type of cottons England still held the market unchallenged ; but the slowly

growing imports of certain heavy goods from Bombay suggested that both England and America were not destined to hold their monopoly in perpetuity. It is worth remark that Bombay, in 1887, experimented with T cloths of a length and width corresponding to native makes, and thus specially suited to Chinese tastes, in spite of the fact that duty was exacted on the same scale as for larger pieces.

Yarn, however, was the most significant item in the whole trade. The growing importance of the Indian product was recognized by its separation for the first time in the general statistics for 1889. In that year, England was credited with 50,000 piculs, India with 628,000; by 1892, the Indian had reached 1,254,000, while the English had fallen slightly to 49,000. It is evident that Indian yarn was finding a market hitherto untouched. The market was provided by the native hand-loom industry: India was beginning to clothe the millions of China, thus realizing the object of the earliest efforts of our exporters of cotton goods. The decrease in our yarn imports was a small matter, but exaggerated ideas prevailed at the time as to the possible effects of this new development on our trade in piece-goods. If the view be correct, that we never have in reality clothed the masses in China, it seems that there was small reason for panic, at any rate in regard to the lighter class of goods. Those which might be affected indirectly were the coarser or heavier grades, in so far as they approximated in their uses to native manufactures. The real change would be in the substitution, in the hand-loom industry of China, of Indian machine-spun yarn for that from the native raw cotton. As throwing light on this question, it may be noted that in 1888, for the first

time, Chinese exports of raw cotton exceeded the imports.¹ The imports were mainly into the Canton district, the exports almost entirely for the mills of Japan.

There are signs in this period of a still more vital change. In 1888, cotton ginning was already carried on under foreign direction with machinery manufactured in Japan, in spite of native and official opposition; and plans were in the air for a spinning mill in Shanghai, in the neighbourhood of one of the best cotton-growing districts in China. The local officials naturally objected, as they were still trying to revive a semi-official project which had been hanging fire since 1879. We hear of similar projects at Canton and Hankau, in each case under the patronage of the highest officials; and by 1891 the official venture at Shanghai was at length working and turning out goods in imitation of American drills and sheetings, while another mill was organized for the production of yarn similar to that of Bombay. In 1892, we find the Shanghai mill greatly increasing its sales in the local market at Ningpo; the Hankau mill is completed, and Shanghai yarn is selling locally at higher prices than Bombay. The Shanghai cloth mill was burnt in 1893, but the Chinese promptly started re-building, while officials steadily refused to allow foreigners to engage in the industry, and, regardless of treaty rights, issued orders to the customs not to permit the landing of cotton machinery without special authority. The activity of the officials is significant: they were apparently convinced, not so much of the economic value of machinery to China, as of the possibility of driving out his goods and

¹ The exports were 200,000 piculs, the imports 156,000.

therefore excluding the enterprising foreigner by the promotion of the native machine industry. On the same principle, import of machinery by foreigners was only to be permitted at Hankau provided that it was not dangerous to the lives or means of livelihood of the natives. This amounted to prohibition of all import on foreign account. We seem here to have chanced on yet another phase of the anti-foreign movement.¹ The advance of native industry is best illustrated by the list of mills working or projected in 1894.

	No. working.	Spindles.	Looms.
Shanghai . . .	3 . . .	63,000 . . .	100
Hankau . . .	1 . . .	30,000 . . .	720
	No. constructing.	Spindles.	Looms.
Shanghai . . .	3 . . .	70,000 . . .	—
Hankau . . .	1 . . .	50,000 . . .	—
Ningpo . . .	1 . . .	10,000 . . .	300

The wages in one of the Shanghai mills were—for men, about 4*d.* to 6*d.*, and for women, about 1½*d.* to 4*d.* per diem, the mill working 21½ hours with two shifts. The cost per bale was estimated at 9·50 taels, or, with exchange at 3/6, less than 2/8*d.* per lb.

The year 1893 was marked by a great check to the import of cottons. Lancashire was paying more for its raw cotton, and prices of Manchester goods in the China market rose sharply. There was a great decrease in the quantity of cottons imported from England and America, only partly balanced by the rise in values. The position can be best illustrated by a short table of prices.

¹ A curious sidelight is thrown on the movement by the result of an economic essay competition promoted in 1888 by the Taotai of Chifu. The competitors seem to have favoured strongly the wide extension of the system of native and anti-foreign monopolies.

VARIATIONS IN SHANGHAI PRICES OF TEN STANDARD ENGLISH COTTON FABRICS AND OF MEDIUM $8\frac{1}{2}$ LB. SHIRTINGS; BASED ON PRICES REALIZED AT AUCTION AND ON ACTUAL SALES BY PRIVATE FIRMS. (PRICES OF 1882=1,000.)

1882 (average; year)	1,000		
1883 (June) . . .	987		
1884 " . . .	995		
1885 " . . .	990		
1886 " . . .	994		
1887 " . . .	1,036		Shirtings (value in Shanghai taels).
1888 " . . .	1,080	. . .	1.72
1889 " . . .	1,084	. . .	1.74
1890 " . . .	1,006	. . .	1.57
1891 " . . .	952	. . .	1.57
1892 " . . .	979	. . .	1.63
1893 (January) . .	1,135	. . .	1.70
1893 (June) . . .	1,154	(December)	2.12
1894 (January) . .	1,394	. . .	—

The rise made restriction of trade inevitable; and, as a further comment on the situation, it may be noted that considerable quantities of raw cotton were shipped to Liverpool—a recurrence to the conditions of 1863-4.

The disturbance was not confined to piece-goods; Indian yarn shared in the collapse. The closing of the mints, in 1893, upset the exchange with China, while the ill effects were exaggerated by undue speculation. Exchange between Calcutta and Shanghai dropped, on the passing of the Currency Bill, from 303 to 244 rupees for 100 taels: the price of yarn rose 30 % between June, 1893, and January, 1894, and the quantity imported declined. The figures for the three years show clearly the general effect of the double crisis in the cotton trade.

	VALUES OF COTTON		QUANTITY OF YARN IMPORTED		
	GOODS IMPORTED.		(1,000 PICULS).		
	Million Hk. tls.	India.	British.	Japanese.	
1892 . . .	52.7 . .	1,254 . .	49 . .	— . .	
1893 . . .	45.1 . .	937 . .	44 . .	— . .	
1894 . . .	52.1 . .	1,060 . .	68 . .	31 . .	

The partial revival in 1894 may be assigned to the improving outlook in America, and to the recovery from the speculative panic in connexion with the Indian currency changes.

It is noteworthy that Japanese piece-goods, as well as yarn, now begin to appear on the market, and this, like many other changes in the China trade, was held by some critics to be due solely to the advantage of a silver standard. This may have given a momentary stimulus to Japan, but her subsequent commercial progress has proved that there are other and more serious grounds for fearing her competition in the markets of the Far East. On the whole, the five years ending in 1895 showed a decline of about 10 % in the quantity of staple piece-goods imported, a decline which may be traced directly to the rise in prices. The improvement of access to three great provinces, each as large as a European kingdom, by the establishment of the maritime customs in Yünnan, Kwangsi, and Sechwan, seems to have had done little or nothing to mitigate the decline. The market for cottons was sadly lacking in elasticity.

The trade in woollens in this period calls for slight notice: on the whole it tended to droop, with temporary revivals in years of warlike movement, due to the demand for uniforms. In 1894, the import was no greater than twenty years before, while, in

Manchuria and the north, British goods were feeling the competition of coarse and heavy Russian fabrics which were more suited to the needs of climate and people. The effect of variations in price was less conspicuous than in the case of cottons, in so far as woollens tended to be a luxury of the rich. The British figures speak for themselves.

EXPORT OF BRITISH WOOLLENS TO CHINA AND HONGKONG
(MILLION £).

1885-8	. . . . .	1.14
1889-92	. . . . .	.838
1893-6	. . . . .	.701
1897-1900	. . . . .	.581
1901-4	. . . . .	.749

A far more interesting study is provided by the fortunes of the Indian opium trade.

NUMBER OF CHESTS EXPORTED FROM INDIA TO CHINA (1000
CHESTS).

	Chests.	Total imports into China (1,000 piculs).
1885-8	. . 77.8	. . 67.6
1889-92	. . 71.1	. . 71.2
1893-6	. . 50.6	. . 57.8
1897-1900	. . 47.8	. . 51.8
1901-4	. . 48.8	. . 53.3

Note.—The picul = 133½ lb.; the chest contains rather more. The Chinese figures include a small import from sources other than Indian; from 1885 to 1888 they are incomplete, as the new system was not fully established.

A slight decline is followed by a serious collapse, and we must go back to the early sixties to find a corresponding low level. From 1885 onwards, the competition of native opium becomes the one common theme of all the commercial reports. In some years, in particular districts, the failure of the local poppy

crop leads to a temporary growth of foreign imports,¹ but on the whole the movement is steadily downwards.

In some districts, too, the trade suffered from the increased Likin ; for, although the Likin on native opium was also raised, nominally, in proportion to its value, in practice the native often escaped with very slight taxation.

The additional Article of the Chifu Convention, which came into force early in 1887, stipulated for a high rate of Likin, while placing its collection in the hands of the maritime customs. It was anticipated that the increased taxation would check the import of foreign opium and act as a stimulus to the cultivation of the poppy in China. But no very revolutionary change was apparent. The actual increase of the burden, in some districts at any rate, may not have been so great as was imagined ; while compensation was provided by the better facilities for handling and transit under the customs system. It seems likely, however, that the Indian producer or importer paid part of the tax, as prices in China tended downwards, owing to the competition, direct or indirect, of Chinese opium. The Indian Government was evidently of this opinion as it reduced taxation in 1890 by 50 rupees per chest, in response to the complaints of the trade. It is dangerous to draw conclusions as to China as a whole : in some regions, even entire freedom from taxation would not have enabled

¹ Thus, in 1886, the native crop in Honan and Kiangsi failed, while India was further favoured by enormous reductions in the freight rates from Bombay, due to the contest between the P. and O. and the Austrian-Lloyd lines. There was a glut, and the market was only saved from disaster by the opportune failure of the native crop.

imported opium to compete on equal terms with the low-priced native product ; in others it was a question of relative cost of transport. Thus, on the Yangtse, Indian opium pushing westward was handicapped by the additional cost of transport, more especially above Hankau ; while Sechwan opium suffered in like manner in the effort to reach Shanghai and the coast. A comparatively small change in taxation might upset the equilibrium established by natural causes ; such changes had often produced in the past the most remarkable variations in the routes adopted by imported opium in reaching its ultimate destination. So we find at Hankau, where the selling price of native was about two-fifths that of Indian, foreign imports declining rapidly, while higher up the river they tend to disappear entirely. On the other hand, the quantity of Yünnan and Sechwan opium, passing downwards, shows steady increase from year to year. Manchuria, again, was already self-sufficing ; in fact, in 1889 Niuchwang was exporting the local product in small quantities.

There is abundant evidence that smoking, in these years, was growing in favour, and that Chinese opium was improving in quality ; perhaps, too, the native consumer, under the influence of its cheapness, was being educated to appreciate the rougher taste of the inferior article. A somewhat similar idea is suggested by the change in the character of the tea consumed in the United Kingdom. Be this as it may, by 1892 native opium was quite common in the Shanghai divans, while another competitor appears in the cheap Persian, used as a substitute for Indian, for mixing with the native.

In this year, a short Indian crop sent up prices and

checked consumption, and this was followed in the autumn of 1893 by the results of Indian currency legislation. The price of Malwa, which stood at 350 taels per picul in the first half of that year, reached 480 taels in January, 1894; while the failure of the Persian crop aggravated the upward tendency of prices. The trade suffered a collapse from which it did not seem destined to recover. In short, both in regard to relative cost of production and transport to the consuming market, and in the effect of a change in the popular taste, Indian opium was undergoing in China the same experience as Chinese tea in the United Kingdom. There is a suggestion of poetic justice in the situation, though it was scarcely appreciated by the Indian producer and his government; nor could the enemies of opium congratulate themselves on the means by which the trade was being reduced.

The sudden growth of the export of native opium from Chungking in 1894 is worth notice. The crop was good, and the facilities for transport coastwise greater under the new customs administration;¹ but a further explanation is curious as illustrating the business methods of the Chinese. They had cornered the crop, under the impression that the result of the Royal Commission would be the prohibition of foreign import: when they realized their mistake, a large quantity was thrown suddenly on the market, and so appears in the statistics. Another curious tale comes

¹ Under the new arrangement of 1891, Yunnan and Sechwan opium, after paying a lump sum of 64 taels as duty, was freed from further taxation throughout the Empire. The customs export figures naturally show an increase, and the imperial revenue profited accordingly.

from the Upper Yangtse. It was rumoured that Yunnan opium was smuggled to India, via Burma, and re-shipped to China as Indian. The tale suggests infinite possibilities latent in the great difference in price of the two varieties, and illustrates a method, not unknown in the West, of dealing with the prejudices of the consumer in favour of his customary label.

The only item in the import trade which merits comparison in its progress with cotton yarn is kerosene oil. In this case, the importer had discovered an article of universal use which could be supplied at a moderate cost; the result was that, in the face of strong official opposition, excited by the evident danger from the oil in the hands of the careless Chinese, the consumption advanced at an extraordinary rate. For a long time America enjoyed a monopoly, but in 1891 import began from Russia, and in 1894 from Sumatra. Here, again, the question was largely one of the price of the imported product in relation to that of the native vegetable oils; the consideration of quality in relation to safety seems to have had the smallest influence on the native consumer.

IMPORTS OF KEROSENE OIL (MILLION GALLONS).

	American.	Russian.	Sumatran.
1891 . . .	39.3 . .	10.0 . .	—
1892 . . .	31.8 . .	8.6 . .	—
1893 . . .	36.7 . .	13.3 . .	—
1894 . . .	51.6 . .	17.5 . .	.5

Among the other commodities of interest, as illustrating the economic development of China, are railway materials, telegraph-wire, and coal. British coal was ousted by Australian and Japanese, which was sold inland as far as Hankau—a striking instance

of the want of development in China of industrial organization and transport. The Chinese idea of mining seemed to be confined to a mere scratching of the surface, while, in the absence of railways, carriage of native coal was only possible through the accidental presence of convenient water-communications in the immediate neighbourhood of the deposits.

Perhaps the most significant change of all was to be found in the growing import of miscellaneous minor articles of luxury or necessity—mainly the former from the Chinese point of view—articles which, to command a sale, must be both cheap and attractive. This was the special sphere of the energetic German. These small articles might seem to be beneath the notice of the old-fashioned merchant, but in the aggregate they formed no inconsiderable part of the total import into the China market. But in this type of business the demand does not arise of itself; it must be created by studying native tastes and forcing western products on the notice of the possible consumer. 'Pins, walking-sticks,' says one of our Consuls in 1892, 'and many articles used by western nations, are neither required nor desired by the Chinese.' Nor was it sufficient to circulate catalogues at the treaty ports in Chinese, still less in English, quoting prices for delivery in the United Kingdom; their destination was the waste-paper basket. The local customer must be reached, but facility of access was hindered by the fact that the import trade was becoming more and more the monopoly of the native dealer, while the Chinese are nothing if not conservative in the matter of foreign innovations. In fact, this period may be taken as marking the completion of the transformation in the system of import business.

Order is largely by telegraph ; buying and selling form a single transaction ; the foreigner, no longer holding stocks, becomes more and more a mere agent for the native dealer, content with a bare commission, while the native, the real merchant, takes the risks but also the profits. In short, the day of the prosperous middleman at the treaty ports seems to be fast closing.

The decline of the status of the foreign merchant necessarily implies smaller power of opposition to the anti-foreign policy of native officials, while only a partial compensation is provided by the growing energy of foreign officials and their governments, and the wider opening of the interior to foreign knowledge.

The export trade introduces conditions of a very different type. The vicissitudes of tea offer a most fascinating study in the romance of commerce and an excellent illustration of the complication and variety of conditions determining the distribution of commodities in the world's intercourse. The romance may have disappeared with the decay of the old system in China, but the complication undoubtedly remains. To the ordinary Englishman, tea is simply tea, either the product of India, with which he is well acquainted, or that labelled China, which he sees less commonly, and regards perhaps as something of a luxury or the special taste of a faddist. He may perhaps have heard of a variety styled 'green', but it is not in evidence in the window of the ordinary dealer.

It is inconvenient for making generalizations, but the fact remains that not only is tea strictly localized in the Chinese Empire, but the types are so divergent as they enter into commerce, and their markets so different, that there is some justification for treating them as separate commodities. At least three sets of

figures are necessary to illustrate the broad changes in the character and distribution of the China tea trade in the period under discussion.

	Chinese exports of all tea. (Million piculs.)	Exports of black tea. (Million piculs.)	United Kingdom imports from China. (Million lb.)	United King- dom imports from India. (Million lb.)
1885-8 (average)	2.15	1.61	127.2	89.8
1889-92	1.72	1.20	70.3	155.3
1893-6	1.81	1.11	43.8	202.8
1897-1900	1.52	.852	27.9	245.6
1901-4	1.44	.712	21.6	263.9

These figures are sufficient to illustrate certain well-marked developments of the trade, though many more would be necessary to give a complete explanation of its vicissitudes. The first column shows the steady decline of Chinese exports throughout the period; the second defines the special province of that decline; it was limited to black tea, the ordinary commodity as known in this country. But the total fall is actually less than the fall in black, so there is evidently some item of compensation concealed in column one. The third column suggests that the United Kingdom was largely responsible for the change, while the fourth puts us on the track of the explanation. A brief notice of the course of the trade in China, from 1885 to 1894, may serve to develop further the suggestions arising from a first glance at the general statistics.

In 1885, the crop of complaints was smaller than usual: there was less wild speculation, and shippers, profiting by unpleasant experience in the past, seem to have used more judgement in dispatching cargoes to the London market. A larger demand for teas from the neighbourhood of Fuchau also gave a mild stimulus to business. But the re-employment of sailing-

vessels for the shipment of tea draws attention to one of the ever-present troubles of the foreign shipper. The 'Conference', controlling the steamship lines, maintained rates at an average of £3 per ton of 40 cubic feet, while the sail rates were 30/- to 40/- for a ton of 50 feet. On the more valuable teas the effect might be small, but the high cost of transport made considerable difference in the laying-down cost of the common grades which were more and more in demand on the London market, apparently for the purpose of mixing with Indian.

This prosperity was short-lived. Moderate success in the past season induced native tea-men and shippers to pay higher prices in some districts for the 1886 crop, and though, on the whole, local prices were fairly low, the prices realized in London were lower still. Defective preparation, hurried shipping and flooding of the market, with rapid auction sales without reserve in London, were among the familiar explanations offered; but Indian competition was recognized by most of the critics as the ultimate determining factor in the low prices prevailing. It is worth noting, in this connexion, that the Indian imports into the United Kingdom show a sudden rise in 1886-7. The year 1887 was marked, too, by a circular issued by the imperial customs on the subject of the supposed deterioration of China tea; the decline in the trade, and therefore in revenue, was at length beginning to attract the notice of the authorities. The native tea-gilds naturally refused to admit the deterioration, and assigned excessive taxation as the cause of the decline; the foreign Chambers of Commerce were of opinion that both causes were operating. Not only was Indian tea cheaper than China, but it was better

grown and prepared ; it might be unwholesome and less suited for keeping, but it suited the taste of the consumer, while the question of keeping was tending to become of less importance with the improvements in transport and the greater rapidity of transactions in the London market. The Indian had also the undoubted advantage of nearness to London and lower freights. Thus the Shanghai Chamber calculated that in 1887 the average price of common Congou, duty paid, at Shanghai was 14.50 taels per picul, while the price of Ceylon f.o.b. would work out at 8.50 to 9 taels. The duty and Likin on China tea they estimated at from 4.10 to 5.40 taels—a very heavy *ad valorem* charge on inferior teas. In other words, the prices on which the treaty tariff was based had fallen greatly, and the trade suffered from the want of elasticity in the customs and revenue system. A tariff based on the assumption that tea was worth 50 taels per picul was hardly calculated to suit the requirements of tea at 10 taels.

The favourite remedy suggested was the opening of China on such terms that foreigners might buy land and establish the industry on Indian methods. Another curious proposal was that trade might be recovered by the delivery of lectures in England on the subject of the unwholesomeness of tea prepared in the Indian fashion. This implied an optimistic view as to the wisdom of the English people in the choice between quality and cheapness, and wholly neglected the question of taste and fashion in relation to consumption.

Some compensation was provided for the loss of the London market by the increased demand in America and Russia. Hankau was the centre of the

Russian trade; the finer qualities exported thence could apparently endure not only the taxation in China but also the heavy import duty in Russia. The export of brick tea overland to Russian territory was also growing with great rapidity, and, in view of this expanding market, it was perhaps natural that the native producer in this region should turn a deaf ear to the warnings as to the necessity for improvement in his methods. In 1888, the better teas showed fair results, partly owing to a short early crop and higher prices in London, partly owing to abnormally low freights; but less was shipped from Hankau to London, more to Odessa. There were, however, the usual complaints of losses on the lower grades; and we get a hint that India is beginning to make inroads on the Chinese monopoly of the Australian market.

The next year was one of universal lamentation: the first crop was said to be the largest and worst on record, so much so that, when Russia had secured the limited supply of finer teas, the natives even attempted shipping on their own account, as they failed to obtain satisfactory prices from the foreign shippers. Towards the end of the season, business collapsed and the native tea-men were hard hit; the quotations for low-priced teas in London were hopelessly unremunerative.

In 1890, shorter supplies of Indian tea in London, and a smaller crop in China revived the hopes of the Shanghai shippers, though the rise in local prices, due to the Russian demand and the short supply, tended to transfer the profits to the native dealers. Local officials at last roused themselves and inculcated by proclamation the need of improved methods; but isolated attempts to introduce the Indian system of preparation met with determined opposition from the

natives interested in the trade. Repeated orders from Peking in the next year were disregarded in the usual Chinese fashion. The native, however, showed some capacity for improvement in response to the Russian demand at good prices, and there is something to be said for the view that the deterioration of China tea was exaggerated, in the export trade, by the fact that the low prices offered had induced the shipment of inferior varieties of tea. There was abundance of better quality if the foreigner was prepared to pay for it at a reasonable rate. Russia, indeed, was fast becoming the controlling factor in the local market, so that her bad harvest in 1891, and the sharp fall in the rouble, implied heavy losses to the Hankau dealers; while Fuchau was again hit by the glut of Indian and Ceylon tea in the London market. Even green tea was said to be suffering from the competition of Japan, where taxation was light compared to that in China.

The change in the distribution of exports is well illustrated by the statistics of direct shipments from Hankau.

	To London direct. Million lb.	To Odessa. Million lb.	To Chinese ports. Million lb.
1886	39.5	9.9	41.1
1887	22.7	11.1	50.6
1888	21.8	15.0	40.6
1889	16.0	16.8	43.0
1890	11.3	22.7	30.0
1891	10.4	24.4	33.6

In subsequent years there was a slight improvement, with the recovery of Russia and temporary shortness of supply, and the trade as a whole closed steady in 1894, aided by the export of green tea. But the broad result was not to be mistaken: in the early seventies, tea, of all kinds, represented about

half the value of the total exports of China, and was increasing ; in 1892 it was about a quarter, and decreasing. Black tea was responsible for the fall. Between 1886 and 1894, the export of green tea from Shanghai rose from 192,000 to 230,000 piculs, while brick tea was another compensating element.¹

As a curious illustration of the by-ways of commerce, we find in this period a growing export of tea from China to her great rival. Between 1888 and 1894, the amount shipped grew from 25,800 piculs to 35,400, and at first sight the movement seems strangely at variance with the general trend of events. It is less surprising when we consider that the tea was mainly green, and that Bombay was a port of transit for Persia and Afghanistan and the interior of Asia.

The exports to Russia for the same period are also of interest.

	Piculs.	
	1888.	1894.
To Odessa by sea	132,800	169,200
Russia and Siberia, viâ Kiakhta	463,300	500,500
Russian Manchuria	79,000	87,000

The working of the Siberian railway and the Russian volunteer fleet are both here in evidence ; in former days shipments were viâ London, and we earned freight and commission on the transaction.

It was commonly held that the steady fall in exchange should have stimulated the export of tea, and great expectations were entertained, by some, of advantage to China from the reform of Indian

¹ In 1891, we begin to get accurate statistics of the export of brick tea to Russia, owing to the growing use of the route viâ Tientsin and Kalgan, which brought the trade under the notice of the imperial customs. The old route viâ Fanchang was in native hands, and so no information was available.

currency. In certain years such stimulus was doubtless provided; though the native, watching carefully the London exchange and raising his tael prices accordingly, generally succeeded in reaping the temporary advantage at the expense of the foreign exporter. But of any permanent stimulus evidence is sadly lacking. The advantage of the fall in exchange was more than equalized by the fall in gold prices largely due to Indian competition. So, if the tael price of black tea at Shanghai for 1870-4 be taken as 100, that of 1893 was 80, while the fall in certain of the commoner sorts was much greater. It is somewhat difficult to argue that a fall in price of 20 % is a stimulus. In fact, the gold price of tea in London fell even more than the gold price of silver, and the difference necessarily came out of the profits of native dealers or foreign shippers; the fact that the trade continued at all, though by their own account the traders were ruined annually, seems to show that the profits in the past must have been very large. If the London price had remained steady, fortunes could still have been made, even though a higher silver price had been paid as a stimulus to the native producer. It is probable that the price in the country to the native grower showed little variation, as the silver value of native products for native consumption remained fairly steady, and tea-production for export was far from being a fixed and necessary part of the agricultural economy of China. The large profits of early days allowed a wide margin for reduction in export prices without affecting the return to the grower; this may suggest another reason for his apparent indifference to improvement of method. The development of the cultivation of

the poppy proves that the native agriculturalist is quite ready to transfer his attention to a more profitable industry. Neither the interest of the farmer nor the national existence of China is necessarily bound up with the fate of a particular export, and it is easy for an interested foreigner to exaggerate the importance of some one product in the internal economy of the country. Tea is only one item in a vast agricultural system ; China seems to have found others that are more profitable under modern conditions.

Unlike tea, silk provides no very revolutionary changes for discussion, though the general conduct of the trade was far more satisfactory to producers and traders in China. The export of raw silk grew steadily, subject to the usual fluctuations caused by change of fashion, the vagaries of Chinese climate, the amount of the French and Italian crops, and the general commercial conditions of the European and American markets. The demand at Shanghai not infrequently exceeded the supply, so that the decrease in the amount brought to market led to strong suspicions as to the existence of disease. The inevitable local opposition was encountered in the attempts by the imperial authorities, and foreigners interested in the business, to introduce the Pasteur methods of detection ; but the fact that a marked rise in price readily called forth increased supplies, while the export of native piece-goods steadily increased, seems to show that there may be other reasons for the seeming fall in production in certain years.

EXPORTS OF RAW AND THROWN¹ SILK FROM CHINA, AND IMPORTS
INTO THE UNITED KINGDOM FROM CHINA, AND FROM ALL
SOURCES.

	Chinese exports. 1,000 piculs.	U.K. imports from China. Million lb.	U.K. imports from all sources. Million lb.
1885-8 . . .	61.2	1.77	2.83
1889-92 . . .	76.1	1.52	2.82
1893-6 . . .	81.4	.92	2.18
1897-1900 . .	97.8	.87	2.36
1901-4 . . .	93.4	.60	1.97

The United Kingdom, in the matter of silk as well as tea, is evidently fast disappearing from the ken of the Chinese. Side by side with the increase in raw silk proper was a remarkable growth in the trade in wild silk and refuse, due to improved methods of utilization in Europe; but though the bulk looks considerable in the statistics, the value of these exports is not to be compared with that of the staple product. The one serious drawback to the industry was still the defective method of reeling by hand. Officials and native workers were slow to recognize the value of reeling by machinery on the European method, in spite of the fact that Japan, by its prompt adoption of this improvement, was enabled, working with inferior raw material, to compete successfully with Chinese reeled silk. Still, the fact that reeling by machinery might increase the value of the product by anything from 20 to 50 %, gradually filtered into the minds of the Chinese, so that by 1894 both Canton and Shanghai were adopting the system. In the latter, nine steam filatures were running, with 3,500 basins, and two more were constructing; while filature silk was thought worthy of a special column in the general export statistics of China. Tea had declined, relatively and absolutely, but silk had maintained its

¹ Including filature silk after 1894.

position in the growing total of exports. In 1870, as already noted, tea accounted for about half the total and silk for about 40 %; whereas, in 1892, the share of tea had dropped to a quarter, and the remainder was about equally divided between silk and miscellaneous articles. Unlike tea, silk had maintained its local silver price intact: prices for typical brands were about the same in 1870-4 and in 1893, while the price of native piece-goods had risen considerably. In the meantime, the gold price of raw silk in London had fallen 50 %, from 20/- and over to 10/- and over per lb. Not only from year to year, but from month to month, the quotations followed closely the fall in exchange. Doubtless, if China had possessed a monopoly of the sources of supply, the native would have succeeded in exacting higher silver prices from the foreigner; but the result of foreign competition was, on the whole, to benefit the European consumer by the fall in the gold price rather than the native producer by a rise in the tael price of raw silk. Neither tea nor silk, from the Chinese point of view, seems to have been vitally affected by the fall in the gold value of silver; the two metals were not working out their relative position in the vacuum of theory. The stimulus of falling exchange seems to have shown itself to some extent in the growth of those exports roughly classed as miscellaneous, from about 10 to 40 % of the total. The fall in the gold price of silver, and the lowering of freights through the opening of the Suez Canal, enabled the exporter to place on the European market, at a profit, certain goods, bulky in proportion to their value, which, under normal conditions, would not have been exported so readily. Straw braid, among

the old-established exports, showed remarkable progress, in spite of frequent complaints of native dishonesty in preparation and packing, and the competition of the more reliable producer in Japan. Hides, camel and sheep wool, hemp, and feathers are also conspicuous among the minor articles in the statistical tables. Even here, however, the stimulus was greatly reduced by the general fall in gold prices in Europe. But, on the whole, the advantage seems to have remained with the Chinese producer in the form of a rise in silver prices.

PRICES AT SHANGHAI OF CERTAIN COMMODITIES FOR EXPORT.

	1870-4.	1885.	1893.
Straw braid . . .	100 . .	134 . .	130
Wool . . .	100 . .	125 . .	165
Silk piece-goods . .	100 . .	93 . .	113
Raw cotton . . .	100 . .	112 . .	104
Cowhides . . .	100 . .	159 . .	(1892) 103

The export of raw cotton is rather a special case, as it was mainly for the Japanese mills, and was affected by the possibility of supplies from other sources and by the indirect competition of Indian yarn.

The general effect of the fall in exchange seems to have been to provide a temporary stimulus, in certain directions, and a tendency to slightly more favourable terms to the native producer or dealer for most articles, with the notable exception of tea. The main advantage was to the consumer in gold-using countries; while the stimulus of increased consumption, in so far as it was due to the lower gold price in these countries, was spread over the whole trade and affected all other producers equally with the Chinese. The foreign merchant in China, owing to the changes in business

organization already noticed, failed to reap much benefit in the export trade; in the matter of imports both he and the European producer were affected by the difficulty or impossibility of raising silver prices in China as compensation for the fall in exchange.

The course of shipping merits somewhat close attention, in view of the importance assigned by many critics to the question of freights in relation to competition, especially with India, and of the bearing of the shipping problem on the decay of the entrepôt trade of London. In dealing with this question, we must concentrate attention on the shipping engaged in the foreign trade of China.

In 1885, the 'Conference' loomed large in the view of the trader, though it had not yet succeeded in suppressing the competition of interlopers. The rates to London were liable to vary suddenly, from a normal 60/- per ton to 30/-, when a competitor happened to be in port; and the high rates induced the revival of sail already noted in connexion with tea. Tea, in fact, was the export mainly affected, as, owing to the fall in prices and the narrowing of the margin of profit, the element of freight tended to increase in importance relatively to the other factors in the total laying-down cost in Europe. A serious attempt was also made in this year to extend the principle of combination to Australian freights, but for the moment the forces making for competition were too strong.

The presence of sails, in the following year, brought down rates on tea from Fuchau from 90/- by the first boat, and 70/- to 65/- by others, to the low point of about 40/- net in the autumn, with the addition of concessions as to warehousing in London. Australian rates also dropped in sympathy. Many of the inter-

lopers, both sail and steam, were under foreign flags ; and it was maintained by some that a reasonable rate by the Conference vessels would have placed the whole trade in British hands, as high rates alone gave the foreigner a chance of intervention. In 1887, the advocates of free competition tested their position in the English courts ; but an adverse decision of the Lords, in the *Mogul* case, left the field open to the consolidation of the principles and methods of the Conference.

The year 1887 was also marked by signs of German activity, in the starting of a new line from Shanghai to Europe, and by trouble among the members of the Conference. In the autumn, rates from Fuchau to London dropped to 25/-, and even 20/- ; while tea was carried to Australia at 10/- to 15/- per ton. New York rates, however, remained steady at 45/-. The inevitable reaction followed, but for some months the rates represented a heavy loss to the shipowners, while the shippers profited accordingly. For a year or two rates were moderate on the whole, and the most significant incident in the history of shipping was the extension of the activity of the Nippon Yusen Kaisha in the trade between Japan and the mainland and islands, including the Philippines. A considerable increase in British tonnage is also to be noted : larger and better vessels were put on the route by the great lines, partly owing to the new element of competition introduced into the passenger trade by the development of the Canadian Pacific route. The moderation of rates may also have been due in part to the growing caution of shippers who refused to glut the market by filling up empty steamers at fancy rates. Still, a range of freights from 40/- to 50/-, in 1892, proves that

competition was still effective, though the fluctuations were bad for business and it was impossible that such unremunerative conditions could be permanently maintained. In fact, the uncertainty in the shipping world tended to increase unduly the highly speculative character of part of the export business. Reaction was inevitable; so, in 1893-4, we find that by arrangement between shippers and shipowners, rates were maintained at about 50/- to London, though they dropped, for a time, to Antwerp and Bremen, owing to competition. By 1894, the Conference included all the regular lines, and ocean tramps were conspicuous by their absence. The shippers preferred uniformity to violent fluctuations, and were perhaps convinced that 50/-, with 10% rebate, did not leave more than a reasonable margin of profit to the shipowner. There were not wanting, however, complaints of lower relative competitive rates from India and Ceylon, as affecting the tea industry. It is worth notice also that in 1893, rates to New York, via Suez, tended to be lower than those to Europe. The most important general change in the period was the diversion of trade from London to Marseilles, Genoa, and the German ports. This was the natural consequence of the opening of the Suez Canal and the progress of French and German shipping. Much of the loss in British imports from China was due to the disappearance of the entrepôt trade of London, with the increase in direct business relations between the Continent and China. The loss concerned our commerce rather than our industries, and no change in shipping rates was likely to prevent the change.

The development in the river and coast trade of China offers a remarkable parallel to that in the foreign

trade. In 1887, three companies, two British and one Chinese, controlled the Yangtse under a pooling arrangement. The system was successful from the point of view of profits, and the boats ran, as a rule, with full and profitable cargoes; but the owners were content with things as they were, and made little effort to develop trade by lowering charges. There was a notable increase of lorcha traffic, and threats were held out of competition from other British-owned steamers. The monopoly had great stability through its power of boycotting the goods of a recalcitrant shipper; its position was strengthened by the fact that one member of the Combine was in native hands. Moreover, the Chinese company had the additional advantage of government support, in the monopoly of the carriage of the tribute rice at rates considerably higher than those ruling in the market, and in minor privileges affecting passengers and shippers.¹ None the less, in 1889, the presence of a few outsiders brought down passenger fares with a run; it was more difficult to coerce the passenger than the shipper. There was some ground for the effort to keep up a high level of passenger fares on the river as it tended to prevent robbery, or piracy as it might almost be styled, by the bad characters who frequented the vessels; but the complaints as to the strangling of the trade in commodities were only too well founded.²

The principles of the Combine were also extended

¹ The Government also was concerned more directly in local traffic. Chinese warships were wont to carry passengers, and goods as 'passengers' baggage' to the northern ports, more particularly to Port Arthur!

² In 1891 the rates from Chifu to Shanghai ranged from 15/9 to 46/- per ton!

to the coast trade northwards, but with less constant success, owing to the greater likelihood of competition from outside sea-going steamers. In the southern coast-ports, most of the steamers were under the French, German, and Danish flags, but they were commonly chartered and controlled by native Chinese. Vessels of the British type were, as a rule, too large for this local traffic. The monopoly was too tempting; for two or three years the competition of 1889 was continued, with low rates, until in 1893 the five recognized lines came to terms. Freights were to be raised 20 to 40 %, and passenger fares 100 %. The conditions were favourable to the operators, as the supply of tonnage was insufficient for the needs of the trade. That the Combine was not without its uses was proved by its successful opposition in this year to the dictation of the Swatau native gild. Monopoly could only be met by monopoly. The tendency to combination was the greater in that the foreign shipowner was little concerned with the interests of the native who had no means of insisting on his views, while the Chinese company showed an even greater indifference than the foreigner to the question of local development. In short, the general atmosphere of China seems particularly conducive to the growth of the spirit of monopoly, in this as in other departments of business.

CHAPTER XI

THE RENEWAL OF THE ANTI-FOREIGN MOVEMENT

THE railway problem merely illustrates one aspect of the policy and views of the Central Government; we must not lose sight of the old familiar causes of friction, though they are thrown into the shade by the sudden development of the new policy of the Powers. From time to time cases crop up of defiance of the treaties by the local authorities, aided by the indifference if not the sympathy of the officials at Peking; but such cases tend to be less frequent and glaring than in the previous decade. The south maintains its unenviable notoriety in this respect, the strength of the local defiance being measured by distance from the centres of European diplomatic influence. But, on the whole, subtlety takes the place of more frank and forcible methods. Thus, while transit passes are formally respected in many districts, exaction of Likin and other dues from the goods *in transitu* is replaced by the imposition of a terminal tax, before the goods reach the native consumer. The organization of native guilds and syndicates enabled the authorities to exact their toll on foreign goods under the very eyes of the foreign merchant. As late as 1898, in spite of the promises of the authorities, there was still no information available as to the amount of taxation paid by foreign goods on their way to the native consumer. Nay more, when in the same year the question was raised of the collection of Likin by the imperial maritime customs, the Board of Revenue

at Peking informed Sir Robert Hart that they had no information as to the total amount of Likin collected or the local regulations at different places. As the China Association well put the matter: 'The requirements of modern administration cannot be met by a mediaeval system of finance.' The Chinese Government must adapt itself, or collapse, though the process of adaptation involved serious risks.

A still more subtle plan was evolved in dealing with internal navigation. The right was conceded in 1898 only with the greatest reluctance, and it was necessary for our ambassador to insist on the revision of the regulations in order to make them really operative. But another plan occurred to certain local officials, perhaps as the result of their study of European methods. In 1898 Consul Brenan writes; 'I learn that the Provincial Government intends to reduce likin and import duty by junk so that it will not pay to import by foreign vessels.' This would not only hit the detested foreigner but would have the additional attraction of diverting revenue from the imperial to the provincial exchequer. It was a plan thoroughly characteristic of the local official in China. In spite of the opening of the West River, foreign-owned steamers found it impossible to compete with Chinese-owned junks. The problem was not new in the Canton district. In the first nine months of 1873, the steamers running between Canton and Hongkong carried over 20,000 bales of cotton; in the last three months, only 1,800, and in the first quarter of 1874 the cargoes dropped to 25 bales! Since that date other articles of export had followed the same course, so that after the lapse of twenty-five years the exports by steamer had

dropped from 80 to 90 % to less than 10 % of the whole; the only trade left, apart from that in passengers, being the conveyance of raw silk and other costly or perishable goods. None the less, the mercantile community admitted that there had been a considerable improvement in commercial relations, and that the treaties were satisfactory within limits. It was possible to look forward to a further gradual improvement, in the absence of any great disturbing cause. Unfortunately, such cause was to be found in the temper of the mass of the Chinese people and the officials and gentry who were not in close contact with Peking or the foreigner in the treaty ports.

After a period of comparative quiet, there was a recrudescence of popular outbreaks, directed mainly against the missionaries of the various denominations. In 1890-1, the French missions at Wuhu were burnt, and there were disturbances at various places in the region of the Yangtse. The mob was incited by the usual tales of witchcraft and the kidnapping of children. Our representatives found great difficulty in providing protection and did not altogether relish the task.¹

The position of the missionaries was hardly logical; they claimed absolute freedom of movement and settlement, a freedom denied to British subjects in general, and then looked to the British Government for protection.²

¹ 'It seems to be the special aim of the missionary societies to establish themselves outside treaty limits, and having done so, they are not prepared to take the risks which they voluntarily incur, but, on the contrary, are the loudest in their clamour for gunboats, as their contributions to the Shanghai press sufficiently demonstrate.' Vice-Admiral Richards to the Admiralty.

² 'Why not bring a few gunboats to Nanking and order the

Not the first time were our commercial interests in China jeopardized by the excessive zeal and peculiar ideas of the missionary bodies. Specimens of anti-foreign pamphlets, enshrined in our official Blue-books, throw a remarkable light on the interpretation to the native mind of foreign teaching and example; they illustrate also the vast difference of method necessary in dealing with the Chinese and the untutored savage, a difference which seems to have escaped the notice of many of the missionaries. In spite of imperial decrees the movement continued; penalties might be exacted, as for the attacks a few years later on French and German missionaries, but these penalties were mainly the concern of the Central Government, and merely contributed to increase the friction between Chinese officials and the foreigner. The real perpetrators of the outrages could not be reached. The disturbances were a nuisance to Peking, as providing the one subject on which the Powers were inclined to act in concert. Thus, in 1891, we find the Tsungli Yamen insisting that it is impossible to punish wholesale or to find the authors of anonymous placards, and at the same time complaining that 'the practice of sending joint Notes in official intercourse is not warranted by international usage in Europe'. We were warned by our consular officers at the time that there was a growing tendency among the Chinese population to stop the foreign advance by popular violence, with no risk to themselves and only pecuniary consequences for the Chinese Government. The continuance of this impression was bound to be disastrous to foreigners and the Chinese Government alike. A Viceroy to stop the nonsense in his district, with the alternative of a bombardment.' Rev. W. E. Macklin to Commander Barr.

joint Note of the Powers, in 1891, insisted on the necessity of curbing the literati and local officials, and sharply criticized the supineness of the Central Government; but mere protests could not check the movement, and the experience of subsequent years all tended to strengthen those fears¹ and prejudices² which were the real foundation of the apparent hostility to the doctrines of Christianity.

From 1898 onwards, outbreaks of the populace became frequent; there were outrages even in the neighbourhood of Peking itself. Kienning, among other places, distinguished itself: the mob, not content with the usual charges against the missionaries, threatened its own officials for complicity with the foreigner. Our attempt to fix the responsibility, and exact guarantees from the gentry for future good conduct, broke down in a ridiculous fashion. After we had stated our demands, on the strength of the assertions of the missionaries, it was discovered that they had no evidence to produce against the gentry.³

¹ 'The devil-rulers expressly send the devil-priests everywhere to incite people to join the devils, so that by the help of native traitors they may scheme for the territory of China.' Again it is stated that the Taipings held the devil-doctrines and that the devils co-operated with them in the rebellion and the entry into Peking in 1860. 'Ask them where the rebels got their foreign guns and foreign cannon.' Extracts from pamphlets, 1891.

² 'Everywhere the perpetrators have been seized, and every one of them has confessed that it was by the missionary chapels they were ordered to go forth and slay men and women; to cut out their brains and marrow to make into medicine.' Placard at Kienning.

³ 'Not unnaturally, I took it for granted that the missionaries would not have laid these charges, and urged the Consul to press for prosecution and condign punishment, unless they were in a position to substantiate them by proofs which would be irrefrag-

In fact it was impossible, as the Yamen had pointed out, to punish a whole district; we had not to deal with a mere local riot, but with the beginning of a great popular movement which rapidly culminated in the Boxer troubles. The groundwork of the movement had been prepared for years; the opportunity for its completion was provided by the attitude and policy of the Central Government.

For a time, the warnings uttered by England in 1891 seem to have impressed the officials at Peking. It must have become clear to them that their best means of resisting innovations was to avoid giving the Powers ground for united action, and thus to profit by their mutual jealousies. They seem to have realized, as Japan realized before them, that some concessions to western ideas were necessary in self-defence. An imperial decree in 1898 discussed the need of radical reform and explained the weakness of China in contact with foreigners by the ignorance and conservatism of her officials. A new system of education was contemplated, and the sending abroad of the princes of the imperial family to become acquainted with foreign customs. Changes were initiated even in the national system of examinations, the stronghold of Chinese conservatism. But the new policy was hardly outlined when the party responsible for it suffered disaster. In the autumn of 1898 came the palace revolution, followed by the persecution of the reform party and the cancelling of all the recent reform measures. The local authorities again took the place

able before, at any rate, a British tribunal. . . . I was honestly surprised when he told me yesterday that, except against the three men accused of murder, they were unable to produce any evidence at all.' Playfair to Bax-Ironside, Aug. 11, 1899.

of the central boards, Chinese newspapers were suppressed, the recently-constituted Board of Trade Manufactures and Agriculture was abolished, and the examinations placed on the old basis. The reformers lost their offices, and sometimes their lives, and there was a strong tendency to replace Chinese by Manchus in important political posts. The movement synchronized with attacks on foreigners in the neighbourhood of the capital. The retrograde policy of the Government was hardly masked by certain diplomatic concessions in the matter of the reception of Prince Henry of Prussia and European ladies by the Dowager Empress.

It is not necessary to trace the history of the anti-foreign outbreak¹ or to discuss the question of the responsibility of the Central Government; our only concern is with the effect of the trouble on the foreign commercial relations of China, more particularly with the United Kingdom. The position of the Powers is defined in the final protocol of September 7, 1901, signed after ten months' negotiation, the acceptance of which was made the condition of the evacuation of Peking by the allies. Embassies of apology, memorial monuments, the razing of the Taku forts, punishment of guilty officials, edicts against anti-foreign societies, permanent legion guards, and other similar measures, were typical of the ordinary penalties exacted from China in such cases. Clauses vital to the foreign

¹ It is worth noting, as another illustration of the Chinese system of government, that the Viceroy of the Centre and South asked for assurances from the Powers that the disturbances should not be allowed to spread southwards. They did not wish to involve their provinces in the consequences of the policy of Peking.

relations of China were those dealing with the money indemnity, the transformation of the Tsungli Yamen into a Ministry of Foreign Affairs taking precedence of all others, and the promise to negotiate amendments in the commercial treaties deemed necessary by foreign governments, with the object of facilitating commercial relations.

B The question of the indemnity was of extreme importance from the point of view of commerce, since the financial condition of China must have a profound influence on her value to the foreign investor and trader. There was, at the moment, a considerable deficit in the Chinese budget, largely caused by the allocation of about a quarter of the existing revenue to the liquidation of debts already incurred. It was hardly possible in the then state of Chinese credit to pay off the indemnity of over sixty millions in a lump sum. The situation was well described by a director of the Russo-Chinese bank: 'The creditors of China ought, in my opinion, to regard her as a solvent debtor, but momentarily embarrassed.' The real difficulty was to draw on the undoubted resources of the country without involving her in bankruptcy, and without necessitating undue interference on the part of the Powers with the internal administration,—a course to which the British Government was strongly opposed. In the light of recent experience, the danger arising from further excuses for foreign aggrandizement could not be neglected. The maritime and native customs, the Likin, the land-tax, and the salt gabelle represented the available assets of China. Of these, the land-tax was variable and often remitted, while both the foreign and native commercial interests were anxious for the abolition of the Likin; there

remained the customs and the salt tax. Some of the Powers, notably Russia and Germany, pressed for an effective 10 % customs duty ; but to this we naturally objected.¹

From the first we had always to face this difficulty in exacting reparation from China, that foreign trade, directly or indirectly, was the chief source from which China liquidated her liabilities. But it is one thing to tax British trade for the benefit of itself or of the British Government, quite another to submit to impositions on our commerce for the benefit of our rivals. There was less objection to raising the customs duties to an effective 5 %, the amount contemplated in the original treaties, as the specific duties, owing to variations in prices, amounted in some cases to little more than 3 %. In fact, apart altogether from the indemnity, China had an equitable claim to a revision of the tariff, which could not be disputed. In the end, the security accepted was the balance of the imperial customs raised to an effective 5 %, together with the native customs, now to be administered in the open ports by the imperial customs officials, and the salt gabelle, in so far as these sources of revenue were not already earmarked for the service of foreign loans. The net result was further to increase the foreign control over Chinese finance and to render imperative a real reform in Chinese methods of internal administration as an alternative to bankruptcy. The ✓

¹ 'H.M. Government cannot consent to subjecting British sea-borne commerce, which far exceeds that of all other Powers put together, to customs duties which would exceed the treaty rate of 5 %, in order that means may be provided to satisfy indemnities which the Powers claim.' Lansdowne to Scott, May 20, 1901.

elevation of the Board of Foreign Affairs to a supreme position was the complete reversal of the conditions under the East India Company, when foreign affairs were utterly despised by the Central Government and relegated to the arbitrary direction of a single local official ; the change was emphasized by the new rules as to audience. Foreign representatives, on presenting their credentials, were to use chairs similar to those of the princes of the imperial family, and to pass through the central entrances of the palace ; while the Emperor was to receive their credentials into his own hands. 'In a word, the ceremonial adopted by China with regard to foreign representatives can in no case differ from that which results from a perfect equality between the countries concerned and China, without any loss of prestige on the one side or the other.'¹

Such was the end of the attempts of the Chinese Government to maintain its innate superiority to the Governments of the western Powers.

The war and the settlement were full of incidents. The attempt of Russia to turn out the British engineers and to seize the Chinese Imperial Northern Railway nearly resulted in a collision between the troops at Tientsin ; the twists and turns of the Russian policy in Manchuria can be studied in hundreds of dispatches by those who have the time to waste ; but in view of later developments the subject has little practical interest for the student of commerce. As late as January, 1904, the Russian ambassador announced that Russia 'has no intention whatever of placing any obstacle in the way of the continued enjoyment by foreign Powers of the rights acquired by them in virtue of the treaties now in force.' This might mean

¹ Annexe to the Protocol.

much or little. Lord Lansdowne replied, pertinently, that it was to be regretted that Russia had not found it possible hitherto to take a single step in the policy thus set forth, and suggested the early evacuation of Niuchwang as an earnest of good faith. It was left to others to treat the Russian pretensions in a more drastic fashion. The evacuation of Shanghai afforded another opportunity for the display of diplomatic cleverness. Germany, posing as the friend of China, wished to make one of the conditions of evacuation a promise by China 'not to grant to any Powers special advantages of a political, military, maritime, or economic nature, nor to allow the occupation of any other points commanding the river either below or above Shanghai'. To this somewhat ingenuous attempt to tie the hands of England, in a district where her interests were overwhelming, Lord Lansdowne naturally retorted: 'We shall not pay regard to any pledges given by the Chinese Government or Viceroys by which their and our freedom as regards the maintenance of order and protection of our interests in the Yangtse region would be limited.' These are mere incidents, illustrating the relations of the Powers; the vital factor in the foreign commercial relations of China is the new treaty, drawn up in compliance with the clause in the Protocol, a clause inserted originally on British suggestion. Once again the vital part of the penalty for collision with foreigners, a part to which all other concessions are really subsidiary, is a further measure of commercial reform.

The treaty may be looked at from two points of view, according as it deals with the reform of existing conditions, or with promises and possibilities for the future. Among minor administrative changes may

be noticed improved rules as to the issue of drawback certificates, greater facilities for bonding, with the revision of the rules for inland navigation and measures for the improvement of the Yangtse between Ichang and Chungking. The mutual enforcement of the liabilities of shareholders in joint-stock companies, British and Chinese, and the promise of protection for foreign trade marks, are a significant admission on the part of China of her duties as a member of the civilized world. The principle of encouraging the investment of foreign capital is further recognized in the promise to revise forthwith the mining regulations in such a way as to attract foreign capital while avoiding any injury to the sovereign rights of China. An attempt is made to deal also with two of the long-standing causes of friction between Chinese and foreigners. Great Britain and China agree to a joint Commission to investigate the missionary question, with the object of devising some means of securing permanent peace between converts and non-converts. The twelfth Article is worth quotation in full. 'China having expressed a strong desire to reform her judicial system and to bring it into accord with that of western nations, Great Britain agrees to give every assistance to such reform, and she will also be prepared to relinquish her extra-territorial rights when she is satisfied that the state of the Chinese laws, the arrangement for their administration, and other considerations warrant her in so doing.' For the first time in history, a European Power thus holds out the prospect of the ultimate recognition of the complete sovereignty of China—the consistent aim of Chinese diplomacy throughout the nineteenth century. But such recognition is entirely dependent on the adoption of a new and satisfactory

policy by China herself. The Egyptian system has often been proposed as an alternative ; but the circumstances are very different ; the only possible issues for China are internal reorganization or complete foreign control which must end in partition. The Chinese method could never be permanent, in the absence of overwhelming force and the complete and effective exclusion of the foreigner.

Half the treaty is taken up with a single Article aiming at a solution of the most difficult problem of all from the commercial point of view—a problem intimately bound up with the system of Chinese administration and dependent on its reform. The preamble gives the essence of the whole Article. ‘ The Chinese Government, recognizing that the system of levying likin and other dues on goods at the place of production, in transit, and at destination, impedes the free circulation of commodities and injures the interest of trade, hereby undertake to discard completely those means of raising revenue. The British Government, in return, consent to allow a surtax, in excess of the tariff rates for the time being in force, to be imposed on foreign goods imported by British subjects, and a surtax in addition to the export duty on Chinese produce destined for export abroad or coastwise.

‘ It is clearly understood that, after likin barriers and other stations for taxing goods in transit have been removed, no attempt shall be made to revive them in any form or under any pretext whatsoever ; that in no case shall the surtax on foreign imports exceed the equivalent of one-and-a-half times the import duty leviable in terms of the final protocol signed by China and the Powers on the 7th day of September, 1901 ;

that payment of the import duty and surtax shall secure for foreign imports, whether in the hands of Chinese or non-Chinese subjects, in original packages or otherwise, complete immunity from all other taxation, examination, or delay ; that the total amount of taxation leviable on native produce for export abroad shall, under no circumstances, exceed $7\frac{1}{2}\%$ ad valorem.' In the light of past troubles it will be seen that this is a comprehensive attempt to deal with the numerous difficulties which were encountered in the execution of the terms of the earlier treaties. The rest of the Article is made up of administrative regulations necessary for the due execution of this plan. As compensation for the inevitable loss of internal revenue, China may impose a consumption tax on articles of Chinese origin not intended for export ; but this must not affect the immunity of foreign goods or native goods for export. 'The fact of goods being of foreign origin shall of itself free them from all taxation, delay, or stoppage after having passed the custom-house.'

An excise equivalent to double the import duty is to be charged on all machine-made yarn and cloth manufactured in China, whether by foreigners at the open ports or by Chinese anywhere in China, and the same principle is to apply to all other products of foreign type turned out by machinery. This proviso, with that of Article III, that the duties on goods carried in junks in the coasting trade of the Canton province shall not be less than on those carried in steamers, is intended to guard against any attempt to penalize foreign goods by indirect methods. China, by these concessions, undoubtedly surrenders part of her independent sovereignty ; not only is she forbidden to distinguish between one foreigner and another, but

she is not even at liberty to follow the almost universal policy of the Powers by granting superior advantages to her own subjects. Absolute equality of opportunity is again the object of Section 2 of the Article which states that 'the same amount of surtax shall be levied on goods imported into the Eighteen Provinces of China and the Three Eastern Provinces across the land frontiers as on goods entering China by sea'. As a safeguard for the observance of the treaty, members of the imperial maritime customs foreign staff are to be selected to supervise the working of the native customs, consumption tax, salt and native opium taxes; while cases of illegal action, in contravention of this Article, are to be promptly investigated by a Chinese official in conjunction with a British officer and an officer of the imperial maritime customs; and if a majority agree that the complaint is well-founded, compensation is to be paid at once from the surtax funds through the imperial maritime customs at the nearest open port. This does away with all opportunity for Chinese diplomatic delay, and with the difficulty of procedure by means of a local Chinese court or diplomacy at Peking. The reform is to be ratified by an imperial edict threatening severe punishment to provincial high officials disregarding the letter or spirit of the agreement.

The two Governments enter into the above engagements only on condition that the Treaty Powers accept it as a whole, while Great Britain insists that their assent is 'neither directly nor indirectly made dependent on the granting by China of any political concession, or of any exclusive commercial concession'.

Such, in general outline, is the latest attempt to

solve the problem which has puzzled our diplomatists throughout the nineteenth century. It follows in the main the ideas and aspirations of former treaties, though the difficulty of any satisfactory arrangement is not lessened by the increasing jealousies of the Treaty Powers. It resembles its predecessors in the fact that it is really part of the penalty exacted for the anti-foreign outbreak, and involves, in spite of its promises, still further inroads on Chinese sovereignty. It is true that the safeguards are increased by the growth of foreign control, but it does not touch the root of the whole trouble—the position of the local official and the principle of provincial independence. The extent to which the authority of the Central Government can change the character of the Chinese people and reform the principles of local administration is, to say the least, uncertain. Revolutionary reform is hardly to be expected; yet the effective carrying out of the treaty is intimately bound up with the question of administrative changes. It can hardly be expected that a people of the ingrained conservatism of the Chinese will abandon instantly, at the fiat of the foreigner, their accustomed methods of life and administration. Civil Service reform is no light matter in western countries; in China it implies a popular revolution. It is possible that the Chinese may become convinced of the advantage of European business methods, and may bow to the inevitable as laid down in the treaties; it is possible, too, that Europeans will experience another disappointment similar to that following the original opening of the trade. A brief review of some of the recent changes may throw some light on the prospect for the future.

It is difficult to disentangle the normal economic

movement in China during the last few years from the effects of war, rebellion, and indemnities ; while the changes effected by the treaties are so recent that their real significance to a slow-moving country can scarcely be estimated. Still, some light may be thrown on special questions. Among these the most interesting, from the point of view of western producers, is the value of China as a market for manufactures, and more particularly for cottons, which comprised more than a third of the total imports in 1904. In spite of internal troubles, China has shown a steadily growing power of absorption ; the silver value of piece-goods imported has almost doubled, while that of yarns has more than trebled in the decade. As the fall in exchange has been less than in the previous period, this represents a real increase of sterling values. Yarns and piece-goods flourish side by side, as they are largely non-competitive, though the rise in the currency price of imports may have induced some substitution of coarse native woven cloth for the more attractive but dearer foreign article. There have been, however, considerable changes in the sources of the cottons imported. Japan has made great efforts to overhaul India, in spite of the disadvantage of double freight and taxation on the Chinese raw cotton used. In 1894, Japan was a negligible factor : now she supplies about a quarter of the yarn imported, while the native Chinese mills account for an equal amount.

Hitherto the native mills have not realized financially the expectations of their founders. Though about a score are at work, engaged mainly in spinning, the import of foreign yarn grows steadily. With the increase of business organization, Chinese cotton, like

other products, has been affected by world prices and the fall in silver. Between 1899 and 1904, the price of native cotton rose 50 %, and the increase, as compared with the old normal prices on which the estimates of the early speculators in mills were based, is well over 80 %. The heavy demand by Japan on a limited supply has undoubtedly contributed to the difficulties of the local mills and diverted their profits to the pockets of the dealers in cotton. In Shanghai, owing to the growing cost of land and living, the mills seem to have suffered even more than in other districts. The cotton problem is closely bound up with the organization of the domestic industry of China, and Japan and India, which look here for an outlet for a large part of their yarn, are more directly concerned than the western Powers. It is a question of coarse cottons and low counts. The real competition in piece-goods at present is between Lancashire and the United States. In the finer goods, Lancashire still holds the field, though not without challenge and threat of encroachment; in heavy goods, particularly since the growth of mills in the southern states, America has made great progress. The market for the latter is mainly in north China and Manchuria; it remains to be seen how far recent events have permanently affected trade in this region.

On the average of 1893-7, nearly 80 % of the staple piece-goods imported were from India and the United Kingdom, nearly 20 % from the United States. For 1897-1902, the British contribution remained stationary, and was thus under 65 % of the larger total, while America had risen to 35 %. Japan also appears with 2 %; and in the miscellaneous cottons she shows the largest percentage increase, though the significance of this is

modified by the fact that she starts from a very low level.

From the point of view of Lancashire, the trade in cottons with China is still mainly the supply of luxuries, and, as such, depends for its future on the growing prosperity and purchasing power of the Chinese. But it is tending to greater diversity, and in certain lines the local knowledge of the Japanese is operating to their advantage, just as in heavy goods their cheap production has enabled them to enter the market as competitors of America and India.

Among the more conspicuous items of the import trade, opium has declined, but seems to have reached a minimum point represented by a quantity which the Chinese will buy in spite of high prices and the increasing native product.

In kerosene, two new competitors, Borneo and Burma, have entered the market; while Sumatra, starting only in 1894, now challenges America for the first place on the list.

In the vast miscellaneous class, while the import of food-stuffs is noticeable, the most interesting items of recent growth, from the point of view of western nations, are machinery and railway material. These may be expected to bulk more largely with the development of China, as the day when she can supply her own needs seems to be far distant; in fact, good internal communications are the preliminary condition of self-sufficiency. The growth of the value of the whole market is determined by its complete purchasing power, and this in its turn depends on the value of goods which can be produced for export and the terms of the international indebtedness of China.

There seems little prospect that tea will recover its former position as chief contributor to the wealth and purchasing power of China. The decline in the export of black tea has continued ; Australia has followed the example of the United Kingdom, while, even on the Continent and in Russia, India and Ceylon are threatening the Chinese monopoly. In spite of sporadic efforts at improvement, the Chinese producer is not to be weaned from his old methods ; he still declines to cater for the changing taste of the market. He has gained, it is true, a slight advantage from the reduction of the export duty, and the complete execution of the agreement as to the abolition of Likin will further relieve him. But at the best, taxation, especially on lower grades, will remain very heavy as compared with that in competing countries. A revolutionary change in industrial and commercial methods is needed, and it is very doubtful whether the Chinese are, as a people, prepared for drastic methods. Green tea has maintained its position with difficulty, and shows little tendency to increase in the face of competition. It is a case of modern as against antiquated methods of business, and the former are bound to prevail.

The export of silk reached high-water-mark in 1899, but has since then collapsed, while raw white has been largely replaced by steam filature of the type which suits the taste of the European market. Here, again, China is suffering from her slowness in the adoption of western methods and the inability to grasp her true position in the markets of the world. Largely through her neglect to cope with the spread of disease, she tends to become, in spite of her great natural advantages, a secondary factor in the silk supply of the

world. In spite of inferior opportunities, Japan threatens to displace her in the East, in this no less than in other departments of economic activity. Cheap labour and modern machinery are of little avail without the energy and intelligence for their proper utilization. None the less, silk still ranks as the largest and most important single item in the purchasing power of China, and the future of the trade is brighter than that of tea.

The greatest vitality is shown in the miscellaneous section, though in proportion to the population the total of this movement cannot be considered excessive. Minor agricultural products, however, can hardly provide the basis for a great economic development ; the real undeveloped resources of the Chinese Empire are to be found in her great deposits of minerals. The exploitation of these has scarcely yet begun ; good communications must first be created. Minerals may be either exported directly as raw material or made the basis of manufactures within the country : in either case they would represent a great increase in wealth and purchasing power, but the types of trade developed would differ widely. The growth of industry on western lines would modify profoundly the position of China as a market for our manufactures ; such modification is already visible in the case of Japan.

The direction of mineral development in the near future can be inferred only after a close study of the geographical structure of the different regions and, more particularly, the conditions of transport. For this purpose, China must be split up into many distinct regions, as distinct, from some points of view, as the various countries of Europe. But one condition affects all alike—the liability of the whole kingdom

for foreign loans and indemnities. This implies a definite reduction of the consuming power of China for foreign manufactures, a reduction greater in all probability than the actual amount of the liability, owing to the defective methods of Chinese finance. Railways and foreign control may prevent any serious relapse into the old abuses of Likin and local taxation, but the expenses of local government must still be met, and it seems likely that, directly or indirectly, foreign trade will bear the burden in the future as it has done in the past.

There are signs that China, like her island neighbour, is realizing the necessity of moving with the times : she may at length succeed in carrying out the reform of her impossible monetary system and defective methods of local administration ; it is a task which cannot be accomplished by foreign pressure or the issue of a few edicts from Peking. The danger of external interference and the example of Japan may convince the great mass of the people that in greater unity and organization on western lines lies the best hope for the future independent existence of the Empire. Complete reorganization needs a driving force, and would imply the growth of a national sentiment such as can hardly be said to exist at the moment. The result would be a vast increase in material power ; China would become a nation instead of a loose federation of provinces, and the sentiments which have so often displayed themselves sporadically, in the various anti-foreign outbreaks, would find a common object—the economic no less than the political independence of China. At present she is in tutelage, with her financial and economic policy laid down in treaties forced on her by foreign Powers ;

such conditions would not be tolerated for a moment by a sovereign State possessing the power to remove them. The Chinese may be coerced into restraining their resentment for a time ; the history of their relations with European Powers proves amply that they neither change nor forget. Once they obtain sufficient material force, they are likely to assert, in no uncertain fashion, the claim to that right enjoyed even by minor western nations, the right to determine for themselves the conditions of intercourse with foreigners. The vast possibilities of the country suggest the thought that the consequences, whether political or economic, may not redound to the advantage of the western nations which have hitherto treated China as an uncivilized region, to be exploited for the sole benefit of the self-elected exponents of the ideas and methods of European civilization.

BIBLIOGRAPHY

The following is intended merely to indicate the more important groups of official papers dealing with various parts of the subject ; since the titles in the official index are of little use as a guide to the subject-matter.

TREATIES.

The British Treaties and Orders in Council relating to China are all to be found in Hertslet's *Commercial Treaties*. The treaties to 1877 are collected in a special volume. The foreign treaties with China are given in Martens' *Nouveau recueil général de traités*.

BOOKS.

- 'Account of the Embassy from the King of Great Britain to the Emperor of China.' (Chiefly from the papers of the Earl of Macartney and others.) Sir G. Staunton. 1798.
- 'Authentic Account of the Embassy of the Dutch East India Company to the Court of the Emperor of China, in 1794-5.' (From the Journal of Van Braun—the Second Member of the Embassy.) Translated from the French of L. Moreau de Saint-Méry. London, 1798.
- 'Journal of the Proceedings of the late Embassy to China.' Henry Ellis (Third Commissioner). London, 1818.

These three works represent first-hand evidence, and give a sufficient account of the earlier embassies : they also abound in illustrations of the state of China at the period.

✓ PARLIAMENTARY PAPERS.

- Report from the Select Committee of the Lords on Foreign Trade. 'Trade with the East Indies and China.' (With appendices.) 1821, VII.

Deals with the monopoly of the Company as affecting British trade. The minutes of evidence and the appendices are a store-house of information as to the past relations of the Company with

China: they also contain many statistics. (Cf. The Third Report of the Commons' Committee on the same subject.)

First Report from the Select Committee of the Commons on the affairs of the East India Company. 'China Trade.' (With minutes of evidence and appendix.) 1830, V.

The most complete source of information on all aspects of the China trade under the Company. (May be supplemented by sections of the later report, 1831-2, VIII-XIV, on the same subject.)

Papers relating to the affairs of the East India Company. 1831-2, XXXI.

Papers relating to the East India and China trade. 1833, XXV.
Throw further light on events at the time of the crisis.

Correspondence relating to China (1834-9), and additional correspondence. 1840, XXXVI.

Detailed communications between the British Superintendent and the Foreign Office, covering the whole series of events from 1834 to 1840. Also contains memorials of British merchants.

Report from the Select Committee of the Commons on the trade with China. 1840, VII.

There is no 'report', but the Committee presents a mass of evidence on the opium question.

Copy of all papers at the India House respecting hostilities between Chinese and British subjects engaged in the opium trade (1830-3). 1840, XXXVI.

Papers relating to the opium trade in China, 1842-56. A most important series containing memorials and official opinions, estimates of consumption, and much historical and miscellaneous information. Sess. 2, 1857, XLIII.

Report from the Select Committee of the Commons on commercial relations with China. (With minutes of evidence and appendix.) 1847, V.

Information as to special trades, customs and transit dues, and the general conditions of commercial intercourse at Canton, after the Treaty of Nanking.

Correspondence respecting insults to China (1842-56). 1857, XII.

Papers respecting the right of British subjects to have free entrance into Canton (1848-9). 1857, XII.

Correspondence relating to entrance into Canton (1850-5). 1857, XII.

Contain the history of the events leading up to the crisis of 1856-7.

Papers relating to the proceedings of H.M. Naval Forces at Canton. 1857, XII; and

Further Papers (6 series) on the same subject. Sess. 2, 1857, XLIII.

Give in great detail the history of the crisis.

Correspondence relating to the Earl of Elgin's special mission to China and Japan, 1857-9. 1859, XXXIII.

Correspondence between Lord Elgin and High Commissioner Yeh, December 1857, showing demands on China and replies. 1857-8, LX.

Correspondence between Lord Elgin and Lord Clarendon. 1860, LXIX.

Correspondence with Mr. Bruce, March 1859 to April 1860 (4 series). 1860, LXIX.

Correspondence respecting affairs in China, Oct. 1859 to Jan. 1861. 1861, LXVI.

This series gives a complete history of the events connected with the Treaty of Tientsin, and contains much miscellaneous material illustrative of Chinese policy and political and commercial conditions.

Correspondence respecting the opening of the Yangtse to foreign trade. 1861, LXVI.

Papers relating to the rebellion in China and trade on the Yangtse. 1862, LXIII.

Further papers on the same subject. 1863, LXXIII, and 1864, LXIII.

Correspondence respecting statements in Mr. Lay's Memorandum. 1864, LXIII.

These give general information as to affairs in China, and the difficulties encountered in the inauguration of the new régime.

Memorials of Chambers of Commerce in China on the subject of the revision of the Treaty of Tientsin. 1867-8, LXXIII.

Treaty of Tientsin. Dispatch from Consul Alcock relating to the Supplementary Convention of 1869. 1870, LXIX.

Correspondence respecting the revision of the Treaty. 1871, LXX.

The above contain the history of the negotiations for the revision

of the treaty, with the views of the mercantile community in China and England, and official criticism thereon.

Memorials of the Associated Chambers of Commerce to Mr. Gladstone. (With appendix and maps.) 1873, LXI.

Papers connected with the development of trade between British Burma and Western China, and the mission to Yunnan, 1874-5. 1876, LVI.

A storehouse of information on the progress of exploration in Burma since 1836, with numerous quotations from official documents.

Correspondence respecting the attack on the Indian expedition to Western China, and the murder of Mr. Margary. 1876, LXXXII.

Further correspondence on the same subject. 1876, LXXXII.

Further correspondence on the same subject. 1877, LXXXVIII.

Correspondence respecting the Chifu Agreement. 1880, LXXVIII and 1882, LXXX.

The history of the matter and the Chifu Agreement, with Sir Thomas Wade's comments.

Correspondence respecting Christianity in China. 1860, LXIX.

Correspondence respecting attacks on missionaries. 1868-9, LXIV.

Correspondence respecting inland residence of missionaries. 1870, LXIX.

Circular of the Chinese Government. 1871, LXX.

Correspondence relating to the above Circular. 1872, LXX.

Papers relating to the massacre at Tientsin. 1871, LXX.

The above contain sufficient information on the missionary question in relation to our commercial interests and diplomacy.

Correspondence respecting the duties on opium in China, 1884-5, LXXX.

Correspondence relating to the French treaty with Annam. 1886, LXXIII.

Correspondence relating to anti-foreign riots in China. 1890-1, XCVI.

PARLIAMENTARY DEBATES.

China bulks considerably in Hansard, but the debates are not worth the expenditure of much time; with a few exceptions, the qualifications of the speakers seem to consist in a sufficient

ignorance of the real nature of the problems with which they attempt to deal.

BRITISH CONSULAR REPORTS.

These contain a great mass of useful material, but they are troublesome to handle. The only method is to examine each report separately. Many are rubbish; some may be ranked as valuable monographs on special subjects, or on general commercial conditions at certain periods. With the growth in the number of consular stations, and the promotion or retirement of the earlier officials, the reports tend inevitably to deteriorate and become mechanical. The area dealt with in the trade of a single port is commonly too small for effective generalization; while the occasional summaries in recent years from the legation at Peking err in the other direction; China is too vast to be included in the compass of a single short report. A certain amount of regional division is necessary for the clear grasp of commercial conditions, and for this purpose the reports from Shanghai and Tientsin, and, in a minor degree, Canton, Hankau and Niuchwang, possess a distinct advantage.

Some of the most valuable work done by our Consuls is represented by special reports of journeys and exploration (issued either in the 'Miscellaneous Series', or as ordinary Parliamentary Papers). These contain much useful geographical and economic material, but in a form difficult to index for purposes of the present work.

REPORTS OF THE CHINESE IMPERIAL MARITIME CUSTOMS.

These date from 1865 onwards, and are far more elaborate than the British consular reports. They contain, year by year, general summaries, mainly statistical, for the whole of China; together with a series of special reports from the officials at the various treaty ports. The increase in the number of these ports, and of the foreign employés of the imperial customs, has not tended to improvement in the quality of the reports. The annual reports are supplemented by decennial reviews, and by many issues on special subjects. The whole series, in spite of its defects, provides a mass of economic material such as is rarely available outside the circle of advanced industrial nations.

NOTE ON STATISTICAL INFORMATION.

The figures, for single years or special trades, must be allowed a very wide margin of error, and commonly need the support of collateral evidence; but, for a period of years, they are a fair index to the general trend of commerce, particularly when they represent quantities.

The various groups of statistics have their peculiar drawbacks.

The British figures of import values vary in accuracy according as they represent 'official' (before 1854), or 'computed' (1854-1870) or 'declared' values. The schedules change from time to time, and there is often considerable doubt as to the classification of a particular commodity. This applies especially to the relations of 'silk', 'raw silk' and 'thrown silk', in the official mind. There is also a danger of confusing the Indian, Chinese, and Japanese trade, owing to the lack of exact information as to the real origin or destination of goods passing through the British customs. The great complication of trade statistics is well illustrated by the commercial balance-sheets of the East India Company. These show how one and the same declared price or statistical total may be made up of widely different elements; so that entirely erroneous conclusions as to the state of trade may be drawn from the official figures, in the absence of collateral evidence or further analysis.

Many of the Indian figures are obscured by the separation of the accounts of the three Presidencies, while the varying value of the rupee renders comparisons over a period of years impossible without elaborate calculations.

The difficulty of a standard of value is even more pronounced in the case of China, while the neglect to allow for the fall in the gold price of silver is likely to lead to serious misconceptions. Thus we have the official or Haikwan tael—a nominal weight of silver, and fluctuating in sympathy with its price: the Shanghai tael, the common standard for business, and differing slightly in weight from the above: we have also quotations in other weights of silver, and in dollars of varying values, while the usual standard in retail transactions is the string of copper 'cash'. The actual or market rates of exchange are subject to great fluctuations over short periods, fluctuations which may be concealed entirely in the official annual average. Add to this the fact that the movement of silver in relation to gold is not

necessarily reflected in a similar movement in relation to other commodities in China, and it becomes clear that values are even more dangerous to handle in Chinese than in British statistics of trade.

Another fertile source of confusion is to be found in the gigantic coast trade of China. Much is necessarily recorded by the imperial customs twice over, and great care is needed to arrive at the real net import of foreign goods, or export of Chinese produce. Moreover, to trace the goods from their sources or to their destinations in foreign countries is impossible, owing to the free port of Hongkong. A large portion of the trade of China passes through this gate, so that its origin or destination must be purely a matter of guesswork. To the difficulties inherent in the gradual growth of customs organization, and consequent changes of method and scope, are added problems which our own customs are only now attempting to solve.

Enough has been said to illustrate the risk of lightly taking a few statistics, British or Chinese, and founding thereon a weighty argument as to the progress or decay of British trade, or the position of our commercial rivals in the Far East.

INDEX

- Agreement as to tariff and rules of trade, 1858, 119; at Chifu, 193, 229, 265; as to trade with Burma, 222, 232; Anglo-German, of 1900, 238.
- Alcock, Consul, threatens reprisals at Shanghai, 92; criticizes the foreign community, 102-5; memorandum of, on the Treaty of Tientsin, 152; views of, on transit passes, 169; on opium, 173; on the policy of the Powers, 175-6.
- Allen, Richard, voyage of, to China, 2.
- Ambassador, British, to be appointed at Peking, 112, 125; criticized by merchants, 150.
- America, effect of Civil War in, 138, 205.
- Americans, trade of, with China, 19, 29, 42, 55, 56; export of British goods by, 19, 30, 41, 51; yield to Commissioner Lin, 78; smuggling of opium by, 88; competition of, with British, 107, 207, 227, 258, 304; relations of, with Commissioner Yeh, 100; to be associated with Elgin, 108; shipping of, 142, 219, 222-3.
- Amherst, Lord, embassy of, 26-8; voyage of ship, 37-8, 59.
- Amoy, attempts to open trade at, 5; ship *Amherst* at, 37; opened to trade, 84; Likin at, 154.
- Annam, French protectorate over, 229.
- Arbitration in commercial disputes, 154.
- Arrow*, case of the lorcha, 98.
- Associated Chambers of Commerce, memorial of, to Gladstone, 227.
- Audience not insisted on, 124; granted by Emperor, 185; new rules as to, 296.
- Australia, Indian tea in, 306; freights to, 283; coal from, 268.
- Balance of trade, 55-6.
- Bantam, agents of East India Company at, 9.
- Barbarian, not to be applied to British, 113; used in edicts, 122.
- Batavia, agents of East India Company at, 3.
- Bengal, interested in opium revenue, 54.
- Bhamo, route via, 228.
- Board of Trade, Manufactures and Agriculture in China, 293.
- Board of Trade, British, views of, on treaty revision, 163.
- Bocca Tigris, Agreement at, 95.
- Bogue forts attacked by warships, 62.
- Bonding, facilities for, 173, 298.
- Bonds, demanded against opium, 46, 74, 75, 76, 79.
- Bonham, Sir George, Superintendent, 96.
- Borneo, kerosene from, 305.
- Bowring, Sir John, Superintendent, 90, 97, 99, 110; criticizes missionaries, 104.
- Boxer outbreak, 292.
- Braun, Van, Historian of Dutch Embassy, 14.
- British subjects, may be employed by China, 121, 144.
- Bromfield, Thomas, voyage of, to China, 2.
- Browne, Colonel, Indian Mission under, 192.
- Browne, Mr., on the rights of civilization, 175-6.
- Bruce, Sir Frederick, ambassador, 121, 143; instructions to, 122.
- Bullion, exported to China, 49.
- Burlinghame, Mr., mission of, to the Powers, 174, 177.
- Burma, situation in, 227-8; railway demanded from, 244; kerosene exported to China from, 305.
- Canadian Pacific Railway, effect on shipping of, 283.

- Canton, attempt to trade with, 4; trade confined to, 5; isolation of, 5, 6, 23, 92; organization of trade at, 15; policy of officials at, 12, 13; cost of factory at, 56; a treaty port, 84; attacked by Davis, 92; treaty not executed at, 91, 95; character of population of, 91, 93, 95; factory at, burnt by Chinese, 101; opening of, demanded, 108; captured by British, 111; trade at, 55, 129, 141.
- Cash, copper, in relation to silver, 69, 225; export allowed coast-wise, 120.
- Censors, Chinese, 89.
- Charles, King, letter of, to Portuguese Captain-General, 4.
- Chifu, Agreement at, 193, 229, 265; opium at, 210.
- China as a market, 223-5, 303.
- China Association, 234, 288.
- China Merchants Steam Navigation Company, 220.
- Chinese language, refusal to teach foreigners, 9; used by East India Company, 20.
- Chinese people, character of, 107, 191.
- Chinkiang opened to trade, 115.
- Christianity, extinguished in the eighteenth century, 104; protected by treaties, 104, 114; freedom demanded by Elgin for, 109; under Tientsin Treaty, 178; Chinese views on, 179-80; Chinese toleration of, 182; Chinese people and, 290-1.
- Chusan, voyage to, 5; evacuation of, 95.
- Circular, of Peking Government, on missionaries, 184; on relations with foreign representatives, 185.
- Civil Service reform, in China, 302.
- Clarendon, Lord, 101; on transit passes, 169; on the Cobden Treaty, 170; on observance of treaties, 174; on local coercion, 180.
- Coal, mines, proposed opening of, 173; imported into China, 268.
- Cobden Treaty with France, 169-70.
- Cohong, The, 15.
- Combinations, among Chinese, 134; in tea trade, 215.
- Commission, British, 65, 66.
- Commissioner, Chinese Imperial, for trade, 93; for foreign affairs, 148.
- Communications, language of, 66; direct with Peking, demanded, 80, 108; obtained, 112.
- Companies, European, trading with China, 18.
- Compradore, The, 33; functions of, 149; influence of, 204.
- Concert of the Powers, 110, 229; failure of, 236-7.
- Concessions, foreign, Likin exacted in, 188.
- Conference, The Shipping, 221, 272, 282-4.
- Consul, French, conduct of, at Tientsin, 178.
- Consuls, British, position of, at Canton, 43; security for vessels, 85; at treaty ports, 84, 112; jurisdiction of, 99, 113; report to Elgin, 102; wide powers of, 105; nominate customs officials, 148; duties of, under Nanking Treaty, 164-5; jurisdiction of, under Alcock's Convention, 171; warned against local pressure, 181; control of, over missionaries, 184; appointed at Manwyne, 233.
- Consuls, American, character of, 105.
- Consuls, Chinese, at British ports, 172; at Rangoon, 233.
- Consuls, foreign, powers of, under French and Prussian treaties, 154.
- Consumption tax, permitted in China, 300.
- Convention, of Peking, 125; between France and China in 1860, 154-5, 182; Alcock's, in 1869, 164-75; at Chifu, 193-5, 265; French of 1886 and 1887, 230; respecting Burma and Tibet, 229; supplementary, with France, in 1895, 230-1; British, with China, 229, 233.
- Corporation, British and Chinese, 240.
- Correspondence, official, disputes as to, 60, 62, 64; rules as to, 84, 112.
- Cotton, raw, exported from India to China, 54, 57, 127, 140; from China to Europe, 138, 262; from China to Japan, 281; prices in

- China and Lancashire compared, 205.
- Cotton piece-goods, British, exported to China, 51, 126; progress of trade in, 1865-84, 205-9; 1885-94, 257-64; character of, 107, 133; adulteration of Lancashire, 206; Japanese in China, 263; from Bombay, 258; manufactured in Chinese mills, 260; prices of, 138, 205, 207; from 1882 to 1894, 262; statistics of, 1834-43, 126; 1842-7, 130; 1865-84, 209; 1885-1904, 257-8.
- Cotton yarn, imports of, from Bombay, 208, 258-9, 302; statistics of, 1885-1904, 257; from Japan, 302; manufactured in China, 260-1.
- Cotton-mills in China, 261, 303.
- Council of Defence, formed by Dutch and English, 3.
- Country ships, 8; trade in, 18; affected by stoppage of trade, 22; smuggle opium, 45, 53; controlled by East India Company, 47; share in Canton trade, 56.
- Cranborne, Lord, orders survey of Burma route, 227.
- Customs, imperial maritime, origin of, 147-8; extension of, 198; unpopularity of, 150.
- Customs, native, weakness of, 44; reformed by foreigners, 147; cost of collection by, 149; to be administered by foreigners, 295, 301.
- Davis, Sir John, on opium, 88, 92, 93; attacks Canton, 92.
- Derby, Lord, on observance of treaties by China, 188.
- Domestic industry in China, 133, 135, 205-6, 225, 304.
- Drawback certificates, 297.
- Dutch, use of English flag by, 3; alliance of English company with, 3; conduct of, at Amoy, 5; effect of competition of, 6; embassy of, to Peking, 13, 14.
- Duties, proposed commutation of inland, 109; inland, in China, 157, 169; differential, on junks, 288; abolition of, 299.
- East India Company, project of trade to China by, 2; policy of Directors of, 9-11, 30, 34-5, 39, 50-1; attacks on Charter of, 11, 19, 28, 30; expiry of Charter of, 40; privileges of, 17, 20, 40, 41; effect of removal of, 64; Directors of, on China market, 107; warnings of, justified, 215, 225.
- East India and China Association, report of, on opium question, to Palmerston, 79-80; policy of, as to open trade, 109.
- Education in China, reform of, 292.
- Egyptian system of courts, proposed for China, 299.
- Elgin, Lord, advised by merchants, 107; official instructions to, 109-10; opinion of, on Chinese policy, 110; second visit to China, 124; on transit duties, 160.
- Elizabeth, Queen, letter of, to Emperor of China, 1.
- Elliot, Captain, in sole control, 65; relations of, with Chinese officials, 66-7; views of, on opium, 70, 72, 76.
- Embassies to China, failure of, 36.
- Embassy, of Macartney, 11-13, 27; of Amherst, 26-8; of the Dutch, 13-14.
- Emperor of China, petitions to, 7; ignorant of local conditions, 36; claims superiority to foreign dynasties, 64; conditions of audience with, 124; powers of, 152; audience to foreign representatives conceded by, 185; to receive credentials in person, 296.
- Engineers, British, on Chinese railways, 235, 240, 296.
- Europe, Continental, trade of, with China, 19, 29, 41; shipping of, at Canton, 55.
- Europeans at Canton, legal position of, 7, 9, 106; treatment of Chinese by, 8, 91, 94, 103; numbers of, 21; character of, 41.
- Exchange, effects of fall in, 203, 281-2, 303.
- Excise, on machine-made goods in China, 300.
- Exports, British, to China, 51, 126, 132; 1865-84, 199; 1885-1904, 251.
- Extra-territoriality, in Treaty of Tientsin, 113; objected to by Chinese, 163; Hart on Chinese

- views as to, 189, 191; British promise to abandon, 298.
- Famine in China, effect of, on trade, 203, 206.
- Financial position of China, 294.
- Floods in China, effect of, on trade, 202, 204, 206.
- Fokien, Japan on non-alienation of, 234.
- Foreigners, employed by Chinese, 148-9.
- Fort at Canton destroyed, 100.
- France, salaried Consul of, at Shanghai, 105; Conventions of, with China, 154-5; attitude of, on most-favoured-nation clause, 164; supports missionaries, 178; policy of, in Indo-China, 204, 227, 232-4; views of, on the integrity of China, 238.
- Franco-Prussian War, effect of, on China trade, 203.
- Free ports demanded, 101.
- Freights, lowered by Suez Canal, 201; to London, 221, 272, 282-4; to New York, 284; in river and coast trade, 285-6.
- French, to be associated with Elgin, 108; business houses of, at Shanghai, 142.
- Fuchau opened to trade, 84; Likin at, 154.
- Germany, seizes Kiaochau, 235; policy of, in Shantung, 235, 242, 246; shipping of, 142, 219, 223, 252; policy of, in Yangtse region, 235, 297; views of, on integrity of China, 238; growth of miscellaneous imports from, 269; proposes increased customs duties, 295.
- Gilds in China, in commercial disputes, 154; control markets, 202, 204; at Swatau, 220, 286; effect of, on taxation, 287.
- Gladstone, memorial of Associated Chambers of Commerce to, 227.
- Gold, exported from China, 255.
- Government, Chinese Imperial, relations of, with local authorities, 12, 83, 93, 96, 97, 101, 147, 158, 187, 302, 308; weakness of, 144, 158, 181, 291; attitude of, towards trade, 7; towards foreigners, 32, 110, 175, 186, 193; policy of, on treaty revision, 163; on opium, 211; views of, on foreign dynasties, 43, 195.
- Government, British, policy of, in 1834, 58, 59, 63; in 1840, 81; on opium, 87-8; in 1848, 93; in 1856, 100; instructions of, to Elgin, 108-9; ignorant of Eastern conditions, 110; opposed to exclusive privileges, 109; attitude of, towards Taipings, 144-5; views of, on missionaries, 178; opposed to coercion, 162, 180-1; policy of, in 1876, 188; protests against concessions in South China, 231-2; advocates the 'open door', 237; offers support to China, 242; keeps a free hand on the Yangtse, 297.
- Government, Indian, views of, on opium, 195; on the Burma route, 226; reduces taxation on opium, 265.
- Grant, Captain, censured by the Select Committee, 46.
- Gros, Baron, plenipotentiary with Elgin, 111.
- Handloom industry in China, 108.
- Hankau, opened to trade, 145; early trade with, 146; woollens at, 200; opium at, 210; tea at, 213-14; Russian merchants at, 214; freights from, 221.
- Hart, Sir Robert, 149, 288; memorandum of, to Tsungli Yamen, 189.
- Homicide, Chinese views on, 8, 24, 25, 36, 47.
- Honan, poppy cultivation in, 212.
- Hong, The, constitution of, 7; functions and privileges of, 15, 16, 17, 20, 21, 32, 42, 64, 66, 67; decay of, 21, 22, 33; policy of, 24, 42, 73; treatment of, by officials, 32, 35, 74; solvency of, to be guaranteed by government, 80; debts to be paid by government, 83; privileges of, abolished, 84.
- Hongkong, British take refuge at, 78; a base for smuggling, 79, 82; ceded to England, 84; legislative council at, 101; transit trade of, 141; confuses customs returns,

199, 250, 316; demand for extension of boundaries of, 234.
 Hongkong Chamber of Commerce, attacks imperial customs' administration, 150; views of, as to powers of Consuls, 151; advocates local coercion, 154; chairman of, on international rights of China, 172; views of, on Burlinghame's mission, 174.
 Hoomun-Chae, treaty at, 86.
 Hoppo, The, 6, 8, 67.
 Imports, British, from China, 1865-84, 199; 1885-1904, 251.
 Indemnities, exacted from China, 118, 244, 294; effect of, 308.
 India, the half-way house to China, 2; British advance in, noted by Chinese, 23; trade of, with United Kingdom, 29, 42; with China, 41, 56, 72, 107, 127; compared with China as a market, 49; shipping of, controlled by East India Company, 47; diversion of troops to, 111; tea from, competes with China, 213; competition of cottons from, 259; effect of closing the mints in, 262.
 Innes, Mr., burns a customs house, 62.
 Inspector-General of Customs, to be English, 245.
 Inspectorate of Customs, origin of, 147; unpopular with foreign merchants, 150.
 Integrity of China, accepted by France and Russia, 239.
 International law, unknown to Chinese, 24, 60.
 James, King, letter of, to Emperor of China, 3.
 Japan, British agents in, 2; project of trade with, 10; demands non-alienation of Fokien, 234; terms exacted by, from China, 236; shipping of, 252; cotton goods from, 263; competes with India and America, 303-5; uses Chinese raw cotton, 304; competes with China in silk, 307.
 Joint-Stock Companies, shareholders in, 298.
 Junks, differential duties on, 300.
 Jurisdiction, criminal, in China,

7, 8; lack of British, in China, 25; of Select Committee, Chinese views on, 26, 47; Elliot's difficulties as to, 67; under the Treaty of Nanking, 85; effects of foreigners' exemption from native, 103; British extra-territorial, to be confirmed, 109.
 Kanghe, Emperor, 69.
 Kansu, mission to Tibet via, 194.
 Kashgar, Russians at, 156.
 Kaulun, cession of, 125.
 Kerosene, trade in, 268; from Borneo, Burma, and Sumatra, 305.
 Keying, Imperial Commissioner for Trade, 88; policy of, 92; agrees to open Canton, 95, 96; criticized by Seu, 96.
 Kiakhta, overland trade through, 19; Russian merchants at, 214.
 Kianghung, territory in, ceded to France, 233.
 Kiaochau, seized by Germany, 235.
 Kienlung, Emperor, intervenes at Canton, 7; invitation of, to King of England, 28; opium legal under, 68.
 Kienning, attacks on missionaries at, 291.
 Kiukiang, opened to foreigners, 145.
 Kiungchau, opened to trade, 115.
 Korea, embassy from, 14.
 Kotow, The, nature of, 13; refused by Macartney, 13, 27; by Amherst, 27.
 Kumsingmoon, opium trouble at, 46.
 Kung, Prince, policy of, 125, 143, 145, 188.
 Kunlon Ferry, survey of railway to, 233.
 Kwangchau Bay, France demands lease of, 234.
 Kwangsi, tariff on goods entering, 230; opened to trade, 263.
 Kwangtung, French relations with, 230.
 Lancashire, competition of, with America, 207-8, 304.
 Land tax, in China, 89, 294.
 Lansdowne, Lord, reply of, to Russia, 296-7.
 Lascar seamen, 71.

- Lay, Mr., scheme of, 144.
 Liaotung peninsula, Russia and the retrocession of, 240.
 Licences to trade, under the East India Company, 41, 45, 46.
 Li Hungchang, 241.
 Likin, at Amoy and Fuchau, 154; character of, 159; under Alcock's Convention, 166; in treaty ports, 187, 194; Hart on, 190; views of Powers on, 195; on opium, 196, 265; on tea, 215, 306; security for loan, 245; proposal to abolish, 244; importance of, to China, 294; replaced by terminal tax, 289.
 Limpo, voyage to, 5; trade with, 10.
 Lin, Imperial Commissioner, policy of, 74-6, 78, 82; disgraced, 87; criticized by Keying, 89.
 Lindsay, Captain, of ship *Anherst*, 37, 38.
 Lintin, opium smuggling from, 38, 70, 72, 82.
 Literati, against Christianity, 180; against foreigners, 291.
 Loans, British and Russian, offered to China, 244; foreign, effect of, 308.
 London, as a market for tea, 213; decline of entrepôt trade of, 218-19, 281, 284.
 Lorcha, the *Arrow*, 98; smuggling by, 104; piracy by, 105.
 Macao, occupied by Portuguese, 3; East India Company, at, 4; foreign women to remain at, 31; Napier retires to, 62; Elliot ordered to wait at, 66; British driven from, 78.
 Macartney, Lord, embassy of, 11-13; Chinese view of, 27.
 Machinery, right to import, 236; in silk industry, 279; in cotton industry, 300; import of, 305.
 Manchuria, opium in, 210; cotton goods in, 304; Russia in, 235, 240, 296.
 Mandalay, survey of railway from, 233.
 Manufacture, by foreigners in treaty ports, 236.
 Manufactures, British, exported by the East India Company, 41, 42; market for, in China, 42, 49; affected by opium, 54, 57; exports of, to China, after the Nanking Treaty, 106.
 Manwyne, British Consul at, 233.
 Margary, Mr., murder of, 192, 228.
 Mekong, survey of, demanded, 227.
 Memorials, Chinese, to the Throne, against foreigners, 64; on Elliot's reception, 66; on opium, 68, 69, 71, 89.
 Merchants, British, petitions of, 40, 91; Consuls for foreign Powers, 41; propose coercion, 63, 64; expelled from China, 70; memorials of, to British Government, 77; refuse to recognize duties, 83, 91; demand warships, 94; smuggling by, 103; reforms proposed by, 101; advice of, to Elgin, 107; object to imperial customs, 150; as interpreters of treaties, 155, 157, 161, 162, 170; views of, on opium, 173; demand government aid against combines, 204.
 Merchants, Chinese, character of, 7; oust the foreigner, 204, 269-70; Russian, in China, 156; at Hankau, 214.
 Merchants, foreign, extravagant living of, 201; decline of, 202, 270.
 Messageries Maritimes and the shipping Conference, 221.
 Metals, exported to China, 49, 50.
 Minerals, in China, 307.
 Mining concessions, in south China, 231, 234; in Shansi and Honan, 243; regulations to be revised, 298.
 Ministers, foreign, criticized by merchants, 157; views of, on concessions, 175.
 Missionaries, evidence of, on opium, 91; violations of treaty by, 104; encourage rebels, 105; liberty of travel for, demanded, 109; claims of, 154; inland residence of, 163, 182, 289; Roman Catholic, at Tientsin, 177-8; deprecate use of force, 183; Chinese criticism of, 184; Catholic in Yunnan, 228; as a pretext for aggression, 234, 235, 237; attacked at Wuhu, 289; at Kienning, 291; joint commission on, 298.

- Mogul*, case of the ship, 233.
 Mohammedans, Chinese toleration of, 182.
 Most-favoured-nation clause, 86; in Alcock's Convention, 164-5; claims of missionaries under, 182; violation of, by Chinese, 232.
 Nankeens, imported by East India Company, 52; by private traders, 53.
 Nanking, Treaty of, 83-5; duties of British Consuls under, 148; effect of, on trade, 223-4.
 Nanning, opening of, demanded, 234, 244.
 Napier, Lord, Chief Superintendent, 58; relations of, with Viceroy, at Canton, 60-1; proposes to coerce Chinese, 62; retires from Canton, 63.
 Navigation, inland, right of, demanded, 102, 161; not yet granted, 231; conceded, 288; new rules for, 298.
 Newspapers, Chinese, suppressed, 293.
 Ningpo, voyage to, 5; a treaty port, 84; abuse of transit passes at, 158.
 Nipalese, relations of, with East India Company, 13.
 Niuchwang, opened to trade, 115; opium at, 210; occupied by Russia, 297.
 North-east passage to China, 2, 9.
 Notes, Joint, Chinese object to, 290.
 Octroi, universal in China, 118.
 'Open door', policy of the, 230, 237.
 Opium, smuggling of, 44, 45, 46, 71, 72, 268; proposed legalization of, 68, 70, 76, 87-9, 108; prohibition of, 53, 68, 82, 163; imported by Portuguese, 53; profitable to Indian Government, 54; increased smoking of, 68, 266; Elliot's views on, 70, 76-7; surrendered by Elliot, 75; prohibition in India proposed, 76; trade sanctioned by Parliament and British Government, 77, 79, 80; bonus on, by Indian Government, 80; compensation to be exacted for, 81; compared to spirits and tobacco, 89; effect on British manufactures, 90; pays for tea and silk, 106; Elgin's instructions as to, 109; import legalized, 119; Chinese versus Indian, 127, 136, 140, 265-8; under Alcock's Convention, 172; British merchants on, 173; progress of trade, 1865-84, 209-12; 1885-94, 264-8; taxation on, 194, 265; Royal Commission on, 267; decline in, 305; statistics of, 54, 127, 128; 1845-64, 132; 1865-84, 212; 1885-1904, 264.
 Orders in Council, British, 85, 86.
 Osborn, Captain, scheme of, 144.
 Officials, Chinese, attitude towards trade, 7, 61; towards foreigners, 9, 16, 80; views of, on foreign embassies, 14; retrograde policy of, 22, 31; attitude towards foreign governments, 61, 195; towards reform, 81; towards missionaries, 177; towards treaty obligations, 91-2, 95, 97, 121; towards railways, 246-7.
 Officials, local, in China, relations with Central Government, 12, 83, 93, 96, 97, 101, 158, 187, 302, 308.
 Outrages in China, 93, 289, 291.
 Palmerston, Lord, instructions to Napier, 59; on opium smuggling, 72; instructions of, to Elliot, 66, 87; criticizes Alcock, 92; criticizes British merchants, 94; views of, on Canton question, 96.
 Parkes, Consul, ultimatum of, 98, 100; treatment of, at Peking, 124.
 Parliament, British, wishes to legislate on opium, 87; ignorant of China, 149.
 Parliamentary Committees, reports of, 28, 30, 40, 81, 89, 91, 107, 130.
 Pehtang, 123.
 Peiho, Macartney's voyage to, 12; blocked against Bruce, 123.
 Peking, British representative to be received at, 108, 112.
Peking Gazette, 89.
 Peking Syndicate, 243.
 P. and O. Steamship Company, 221.
 Pescadores, seized by Dutch, 3.
 Philippines, project to occupy, 3.
 Poppy cultivation prohibited, 210.
 Port Arthur, 240.

- Portuguese, at Macao, 3; invite East India Company, 4; intrigues of, at Canton, 4; pirates at Ningpo, 105.
- Pottinger, Sir Henry, plenipotentiary, 83; instructions as to opium, 87; criticizes merchants, 94; views of, as to value of Chinese market, 106; on inland duties, 117; on the Nanking Treaty, 128; errors of, 225.
- Powers, European, want of unity among, 187, 301-2; new policy of, 229, 232.
- Prices, in China, fall in, 51, 139; rise in, 154; of tea, 214-15, 277; of silk, 217-18, 280; of general commodities, 1874-92, 256-7; of cotton, 304.
- Prince Henry, of Prussia, reception of, 293.
- Protocol, of September, 1901, 293.
- Railways in south China, 230-1, 233-4; in Shantung, 235; in north China, 235; list of concessions for, 243-4; Chinese attitude towards, 246-7; import of material for, 305; Siberian, and tea trade, 276.
- Rangoon, Chinese Consul at, 233.
- Rebates, on freights, 284.
- Rebellion, Taiping, effects of, on finance, 117, 136, 147; on trade, 136-7, 144, 198; on communications, 160; on silk production, 217.
- Rebellion, Mohammedan, effect of, 203, 210.
- Reform, in China, 292-3.
- Rents, agricultural, in relation to opium, 212.
- Representation at Peking, advocated by merchants, 40, 108; resisted by Chinese, 118; waived by Elgin, 118, 119; desired by British Government, 122, 124; right of, admitted, 125.
- Reprisals, by individuals, 65.
- Residence in interior, forbidden, 104; demanded by Shanghai Chamber, 108; views of British Government on, 109; claimed under Tientsin Treaty, 114, 153, 155; under Alcock's Convention, 171.
- Rhubarb, exported from China, 61.
- Richardson, Assistant - Commissioner, on Burma route, 226.
- Robinson, Sir George, 64, 65.
- Russell, Lord John, on British policy, 81.
- Russia, relations with China in the eighteenth century, 14; represented at Peking, 40; overland tradethrough, 19, 29; ambassador of, refused interview, 111; competes in woollens, 138; treaty rights of, 156; merchants of, at Hankau, 214; a market for tea, 215-16, 306; policy in Manchuria, 235, 240, 296; in Shensi, 241; views of, on integrity of China, 238; proposes increased customs, 295.
- Salisbury, Lord, addressed by China Association, 234.
- Salt, contraband, 119; tax on, 295.
- Sechwan, mission via, 194; as a market, 200; opium in, 210; poppy prohibited in, 211; opened to trade, 263.
- Sedan chairs, disputes as to, 32, 38; for foreign representatives, 296.
- Select Committee of Supercargoes, powers of, 17, 22, 25, 26, 37, 39, 46, 47, 60, 65; policy of, 34-5; views of, on opium trade, 47; on proclamations, 82; Chinese views on jurisdiction of, 26, 47.
- Seu, Commissioner, character and policy of, 89, 96-7.
- Seymour, Admiral, 110.
- Shaftesbury, Lord, memorial of, on opium, 90.
- Shanghai, a treaty port, 89; besieged, 105; trade at, in 1857, 135-6; Indian and Chinese opium at, 210; Germany and the evacuation of, 297.
- Shanghai Chamber of Commerce, views of, 107-8, 146; attacks imperial customs, 150; on revision of Tientsin Treaty, 153; on transit duties, 158; on Alcock's Convention, 166; warns Manchester Chamber, 206.
- Shanhaikwan Railway, 235.
- Shantung, Germans in, 246; opium in, 210.

- Shensi, poppy-growing in, 212.
 Shimonoseki, Treaty of, 236, 248-9, 250.
 Shipping, foreign, in China trade, situation of, in 1828-9, 55; in 1833, 56; in 1864, 142; in 1884, 222-3; in 1903, 252.
 Shopmen, position of, 16, 24.
 Silk, raw, imports of, by East India Company, 52; by private trade, 53; export duty on, 173; affected by rebellion, 137-8; progress of trade, 1865-84, 216-20; 1885-94, 278-80; utilization of waste, 218; hand and machine reeling of, 217-18, 279; gold and silver prices of, 280; steam filature, 306; wild and refuse, 279; statistics of 1830-44, 127; 1844-64, 132; 1865-84, 216, 219; 1885-1904, 279.
 Silver, exported to pay for opium, 46, 54, 55, 68-9, 74, 80, 88, 90, 127, 130; imported by Americans, 56; export of, prohibited, 70; appreciation of, 89, 257; imported into China, 106; exported to China from United Kingdom, 135-6, 140; depreciation of, 199, 253-5; effect of depreciation on trade, 277, 280-1; silver and gold values, 250; prices, 281-2.
 Smugglers, executed by Chinese, 72; right to seize, denied, 82.
 Smuggling, prevalence of, 23; at Lintin, 70, 72; British Government on, 73; by foreign merchants after Nanking Treaty, 103; in Tientsin Treaty, 114; of arms to rebels, 145; Hongkong Chamber on, 151.
 Sovereignty of China, 65, 237, 302; recognized, 162.
 Spheres of influence, 237, 240.
 Suez Canal, effect of opening, 201, 214.
 Sumatra, kerosene from, 305.
 Supercargoes, privileges obtained by, 6; instructions to, 10; at Canton, 56.
 Superintendent, Chief, Governor of Hongkong, 86.
 Superintendents, appointment of, 58, 84; Chinese attitude towards, 64; powers of, 65.
 Surtax, as compensation for Likin, 299.
 Swatau, opened to trade, 115; native gild at, 220.
 T cloths, 205, 259.
 Tael, Haikwan, fall in value of, 199, 254.
 Taipings, character of, 144-5; relations with missionaries, 184; rebellion of, 117, 136-7, 144, 147, 160, 198, 217.
 Taku forts, attacked, 123-4; to be razed, 293.
 Tali, officers to be stationed at, 229.
 Talienwan, opening demanded, 244.
 Tangchau, opened to trade, 115.
 Tariff, under Nanking Treaty, 85; under Tientsin Treaty, 120; revision proposed, 101, 104, 107; effect on trade, 134; no modification of, needed, 154; general character of, 174; under Convention with France, 230; on Burmese frontier, 233; proposed changes in, 295.
 Taxation, internal, growth of, 136, 287; views of merchants on, 169; Hart on, 190; importance of, 225; immunity from, 300.
 Tea, early trade in, 9; monopoly of trade in, 17; Parliamentary regulation of, 18, 43; trade at Canton in, 29, 40, 41; prices of, 42-3; transit by sea forbidden, 23; trade in eighteenth century, 50; fall in price of, 52; duties on, 52-3, 131; inspectors of, 56; effect of duties on trade in, 107; world's consumption of, 130-1; produced in India, 132; affected by Suez Canal, 202; trade, from 1865 to 1884, 213-16; Indian competition in, 213, 271, 273-4, 306; exports of Chinese, to Russia, 274-6; to India, 276; freights on, 272; native gilds and, 272; heavy tariff on, 273; exports from Hankau, 275; exports to India, 276; prices of, 277; trade from 1884 to 1894, 270-8; recent decline in, 306; statistics of, 1830-44, 127; 1845-

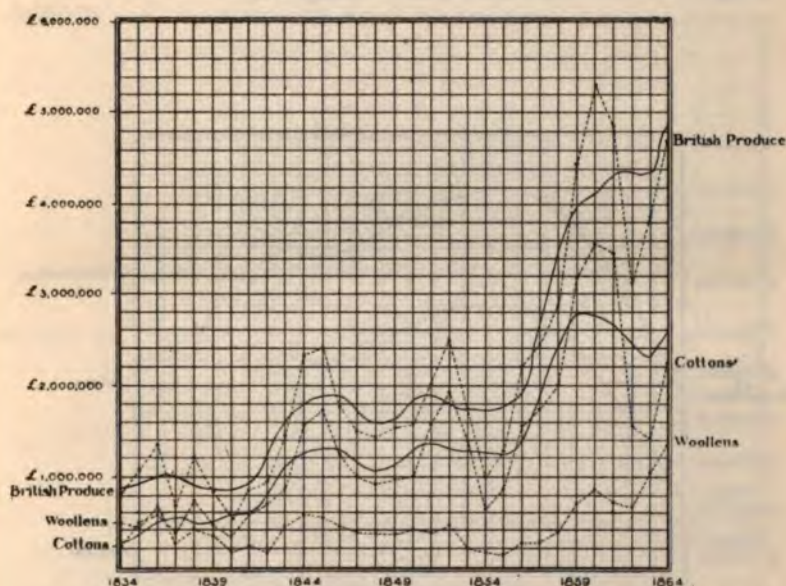
- 64, 132; 1865-84, 216; 1885-1904, 271.
- Telegraph, effect of, 201, 217.
- Thom, Mr., on trade in 1842, 128-9.
- Tibet, proposed mission to, 194, 229.
- Tientsin, Macartney at, 12-13; Amherst at, 27; river frozen, 119; treaty signed at, 112; opened to trade, 125; massacre at, 177; opium at, 210; woollens at, 200; French treaty signed at, 229.
- Tientsin, Treaty of, 112-21; effect of, on trade, 139, 201, 224; interpreted by merchants, 146, 171; compared with Nanking Treaty, 148; question of revision of, 151-2.
- Tongking, French in, 229.
- Topaze*, Chinese killed by seamen of H.M.S., 26.
- Trade, organization of, at Canton, 15, 24; Chinese attitude towards, 7, 15, 38; stoppage of, 22, 26, 61, 71; growth of Indian, 42; profits on Chinese, 51-2; private, with China, 53, 56; character of, 131; at Canton in 1844, 129; decline in, 1872-8, 203; statistics of Chinese, 1864, 141; 1865-84, 198; 1885-1904, 249.
- Trade marks, protection of, 298.
- Transit duties, 43; under Nanking Treaty, 84, 115, 117; under Tientsin Treaty, 116, 120; Elgin's views on, 160; Shanghai Chamber on, 167-8; on exports, 170; to be unified, 194.
- Transit passes, defied, 147, 157, 187, 287; abuse of, at Ningpo, 158-9; sale of, 168; Hart on, 190-1; importance of, 225.
- Travel, right of, demanded, 101, 108; forbidden by treaty, 104; of great importance, 109; granted under passport, 115.
- Treasure, movement of, 255.
- Treaty, of Nanking, 83-5; of Hoomun-Chae, 86; of Tientsin, 112-21; of Shanghai, 1902, 297-302; with Russia, 156, 231; French and Prussian, 154; with France at Tientsin, 1885, 229; of Shimonoseki, 236, 248-50.
- Treaties, observance of, by Chinese, 97; by foreigners, 106; effects of, on trade, 223.
- Treaty ports, 84; inland, 231; differential duties at inland, 301.
- Tribute, Chinese theory as to, 28.
- Tseng, Marquis, ambassador, 196.
- Tsungli Yamen, constitution of, 143, 144; appoints Inspector of Customs, 148; relations of, with foreign representatives, 184, 185, 194; on missionary troubles, 290; reform of, 294, 295-6.
- Turkey, commutation duties in, 109.
- Tywan, trade with, 10; opened to trade, 115.
- United States, appoints salaried Consul, 105; supports British policy, 238.
- Urga, Russians at, 156.
- Victoria, Bishop of, advocates local coercion, 183.
- Wade, Sir Thomas, secretary to Elgin, 156; views of, on Likin, 160; on right of audience, 186.
- Wages, in China, 108; in Shanghai mills, 261.
- War, Franco-Prussian, effect on trade, 203; American Civil, effect on trade, 205.
- Ward, Mr., treatment of, at Peking, 123.
- Warehouses, claim of foreigners to own, 33; bonded, 173; right to rent, 236.
- Warship, demanded by merchants, 92.
- Weddell, Captain, at Canton, 4, 62.
- West River, opened, 233, 288.
- Whampoa, control of ships at, 65, 68; trade at, 76; removal of opium ships from, 80.
- Woollens, north China as a market for, 9, 80; losses on, 10, 11; decline in, 41; in Yangtse region, 138; an index to prosperity, 200; for uniforms, 208; statistics of 1834-

- 43, 126; 1842-7, 130; 1865-84, 209; 1885-1904, 264.
 Women, foreign, at Canton, 31.
 Wuchau, a treaty port, 233.
 Wuhu, outrages at, 289.
- Yangtse region, new markets in, 140; woollens in, 208; non-alienation of, 238, 244-5; Russia not to interfere in, 240; German policy respecting, 239, 297.
 Yangtse river, opened to foreign shipping, 115, 145, 194; claims of Shanghai Chamber as to, 146; effect of opening on tea trade, 213; monopoly of shipping on, 220; navigation of Upper, opened, 236; improvement of navigation of Upper, 298.
- Yatung, British officials at, 232.
 Yeh, Imperial Commissioner for Trade, 97-8; views on the *Arrow* case, 99-101; captured at Canton, 111.
 Yunnan, British officers to be stationed in, 198; opium in, 210; mission to, 228; tariff on goods entering, 230; railways in, 233; opened to trade, 263.

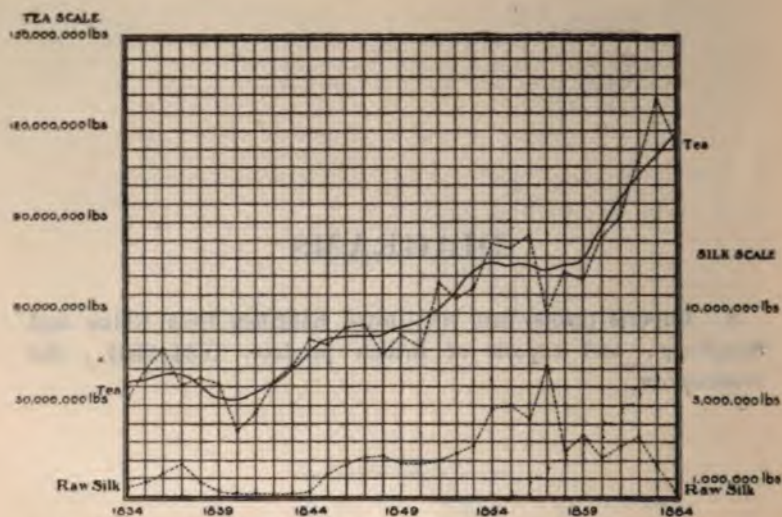
OXFORD
PRINTED AT THE CLARENDON PRESS
BY HORACE HART, M.A.
PRINTER TO THE UNIVERSITY

DIAGRAMS

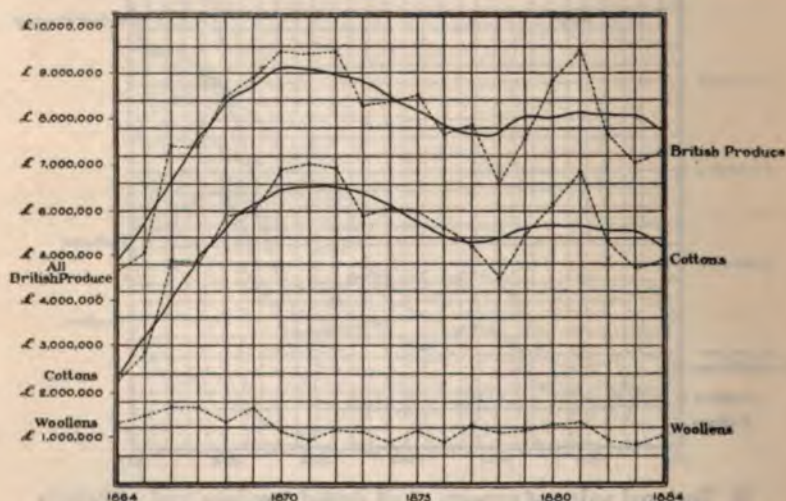
A. Imports (gross) into the United Kingdom from China and Hongkong: and exports of British produce, 1834-1904. See *Frontispiece*.



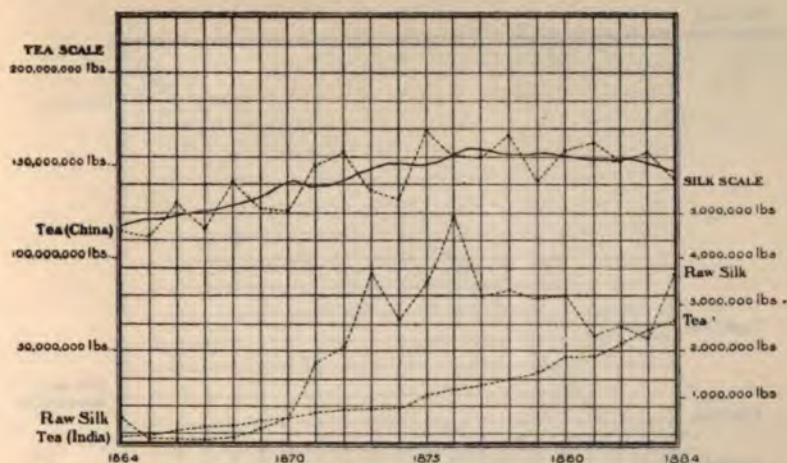
B. Declared value of exports of all British produce and of British cottons and woollens to China (including Hongkong after 1844), 1834-1864. (Chap. V.)



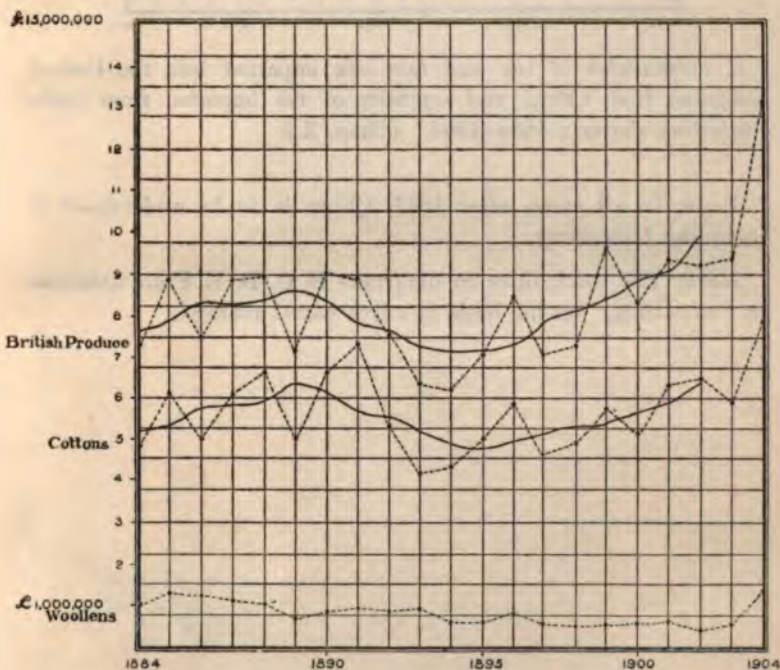
C. Quantities of tea and raw silk imported into the United Kingdom from China, 1834-1864. (Chap. V.)



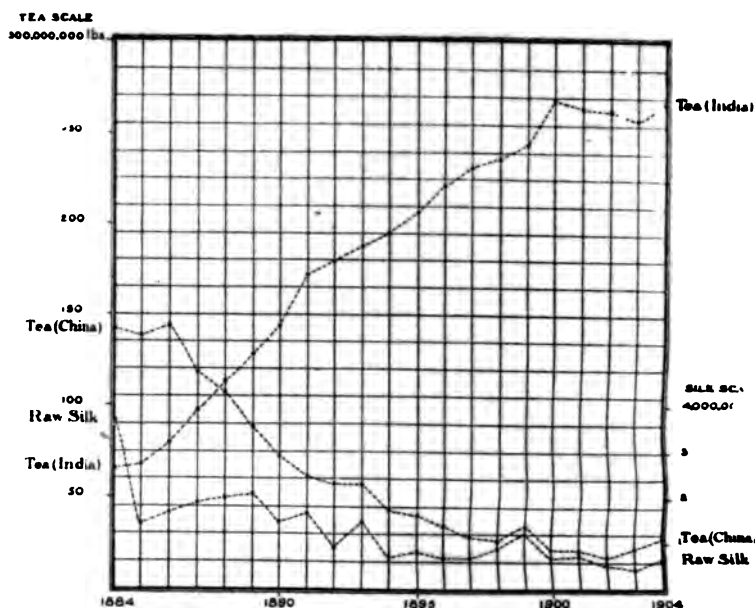
D. Declared value of exports of all British produce and of British cottons and woollens to China, 1864-1884. (Chap. VIII.)



E. Quantities of tea and raw silk imported into the United Kingdom from China, and quantity of tea imported from India (including Ceylon), 1864-1884. (Chap. VIII.)



F. Declared value of exports of all British produce and of British cottons and woollens to China, 1884-1904. (Chap. X.)



G. Quantities of tea and raw silk imported into the United Kingdom from China, and quantity of tea imported from India (including Ceylon), 1884-1904. (Chap. X.)

NOTE. In all cases, after 1844, China is to be understood as including Hongkong.

NOTE. The thick lines in diagrams B, C, D, E, F are obtained by 'smoothing' on the basis of a five years' average.

10

11

12

2275

LIBRARY

Returned on
below
10M-10-36

50

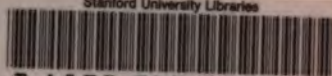
7-11

EV

RESERVED

1957-1958

Stanford University Libraries



3 6105 010 400 591

STANFORD UNIVERSITY LIBRARIES
STANFORD AUXILIARY LIBRARY
STANFORD, CALIFORNIA 94305-6004
(415) 723-9201

All books may be recalled after 7 days

DATE DUE

NOV 17 1998
DEC 13 1998

